# BOOSTING AFRICA'S AGRICULTURAL TRADE

## HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA

OF THE

## COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES

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# BOOSTING AFRICA'S AGRICULTURAL TRADE

**TUESDAY, JUNE 24, 2003**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA,
COMMITTEE ON INTERNATIONAL RELATIONS,
*Washington, DC.*

The Subcommittee met, pursuant to call, at 2:09 p.m. in Room 2172, Rayburn House Office Building, Hon. Edward R. Royce [Chairman of the Subcommittee] presiding.

Mr. ROYCE. This hearing of the Subcommittee on Africa will come to order and today our hearing is focused on boosting Africa's agricultural trade.

For most African economies, no sector is more important than agriculture, because two-thirds of Africans depend upon agriculture for their livelihood. With agriculture accounting for nearly half of GDP in most African countries, it is critical to the continent's development.

African agriculture has faced many adversities. Government industrialization efforts that heavily tax farmers for example, insecure land tenure that depresses investment, collectivist policies that dampen individual initiative, poor and degrading soil in many regions, underdevelopment and decayed infrastructure and drought have all worked against African agriculture.

Yet African countries have the potential to significantly expand their agricultural production, staving off famine, but also exporting agricultural products. With land and labor being relatively inexpensive, many African countries could, given the right conditions, produce sufficient agricultural products for their domestic markets, but also for export to neighboring and overseas markets. Kenya, for example, has been a ray of hope, managing to become a major supplier of vegetables and cut flowers for Europe, creating an estimated 70,000 jobs.

No sector of the world economy however is more laden with rules and with tariffs and quotas, subsidies and other government interventions in the market than agriculture. While tariffs worldwide average roughly 4 percent on industrialized goods, the average on agricultural products is 62 percent. These tariffs effectively shut out many African products, deterring investment in African agriculture.

Farm subsidies are another hurdle. OECD countries supported their agriculture producers with $318 billion in subsidies last year. The United States farm bill signed into law last year authorized nearly $200 billion over 6 years. These subsidies encourage overproduction and that depresses world market prices, and it reduces the competitiveness of African agricultural products, both domestically and as an export. United States and other developed world country cotton subsidies, it is estimated, cost developing country cotton producers $9.5 billion last year. African cotton producers are the hardest hit. United States and European Union sugar subsidies and tariffs stifle sugar production in Mozambique, in Zambia and other African countries.

There is a growing awareness of the harmful impact many developed country policies have on African agriculture. By one estimate, the elimination of subsidies and other protections in developed countries would allow African countries to triple their net agricultural trade.

Another estimate is that protective measures have shrunk Africa's share of agricultural exports from 4.5 percent to 2.5 percent for the world market over the last 20 years. Each percentage point drop results in poverty for tens of millions of Africans.

African leaders are starting to speak out. Ugandan President Museveni, on his recent trip to the United States, spoke of ending "rich country tariffs and subsidies that are keeping African agriculture in a state of pre-industrial wretchedness, complete with cycles of famine." African leaders and others are also coming to question development aid. Over 300 billion in agricultural subsidies spent each year, by Europe and Japan and the United States, is more, many times more, than developed nations spending on aid. By one estimate, it is nine times more.

Why give with one hand and take away with the other? That is the question Africans are asking. Africans are also asking why the United States and other nations champion market based policies, yet practice something else when it comes to agriculture. President Museveni is one African leader who is vigorously seeking greater market access over development aid.

With the African Growth and Opportunity Act, we have successfully promoted apparel and other industries in Africa. We should adopt the same market prescriptions at home to boost African agriculture.

Freeing agriculture also is a win-win. As the largest agricultural exporter in the world and an efficient producer of many agricultural products, the United States stands to gain much from successful WTO development round negotiations to liberalize agriculture.

The Bush Administration has been rightly aggressive, calling for the elimination of agricultural export subsidies, a substantial reduction of farm tariffs and significant reductions in trade distorting domestic support. A World Bank study estimates that liberalized trade in agriculture would add $122 billion to the developed economies and $43 billion to African and other developing economies over 5 years.

The health of African agriculture is of great importance to the United States. Food security, avoiding famine and the instability that famine brings is the most immediate interest. The development of agricultural economies that help rise Africans out of poverty is also crucial. An Africa in which agriculture is decline is an Africa with very negative humanitarian and economic and political and security implications for the United States. Agricultural development in Africa must be a crucial goal.

[The prepared statement of Mr. Royce follows:]

PREPARED STATEMENT OF THE HONORABLE EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON AFRICA

WASHINGTON, D.C.—The following is the opening statement of Africa Subcommittee Chairman Ed Royce (R–CA) at this afternoon's hearing on African agriculture:

"For most African economies, no sector is more important than agriculture. An estimated two-thirds of Africans depend upon agriculture for their livelihood. With agriculture accounting for nearly half of GDP in most African countries, it is critical to the continent's development.

"African agriculture has faced by many adversities. Government industrialization efforts that heavily tax farmers, insecure land tenure that depresses investment, collectivist policies that dampen individual initiative, poor and degrading soil in many regions, underdeveloped and decayed infrastructure, and drought, all have worked against African agriculture.

"Yet, African countries have the potential to significantly expand their agricultural production, staving off famine, but also exporting agricultural products. With land and labor being relatively inexpensive, many African countries could, given the right conditions, produce sufficient agricultural products for their domestic markets, but also for export to neighboring and overseas markets. Kenya, for example, has been a ray of hope, managing to become a major supplier of cut flowers and vegetables for Europe, creating an estimated 70,000 jobs.

"No sector of the world economy, however, is more laden with rules, tariffs, quotas, subsidies and other government interventions in the market than agriculture. While tariffs worldwide average roughly 4 percent on industrialized goods, the average on agricultural products is 62 percent. These tariffs effectively shut out many African products, deterring investment in African agriculture.

"Farm subsidies are another hurdle. OECD countries supported their agricultural producers with $318 billion in subsidies last year. The U.S. farm bill signed into law last year authorizes nearly $200 billion over six years. These subsidies encourage overproduction, depressing world market prices, and reducing the competitiveness of African agricultural products, both domestically and as an export. U.S. and other developed world country cotton subsidies, it is estimated, cost developing country cotton producers some $9.5 billion each year. African cotton producers are particularly hard hit. U.S. and European Union sugar subsidies and tariffs stifle sugar production in Mozambique, Zambia, and other African countries.

"There is a growing awareness of the harmful impact many developed country policies have on African agriculture. By one estimate, the elimination of subsidies and other protections in developed countries would allow African countries to triple their net agricultural trade. Another estimate is that protective measures have shrunk Africa's share of agricultural exports from 4.5 to 2.5 percent over the last twenty years. Each percentage point drop results in poverty for tens of millions of Africans.

"African leaders are starting to speak out. Ugandan President Museveni, on his recent trip to the U.S., spoke of ending, 'rich country tariffs and subsidies that are keeping African agriculture in a state of pre-industrial wretchedness, complete with cycles of famine.' African leaders and others are also coming to question development aid. The over $300 billion in agricultural subsidies spent each year is more than nine-times developed nation spending on aid. Why give with one hand and take away with the other, Africans and others are asking? Africans are also asking why the U.S. and other nations champion market policies, yet practice something else when it comes to agriculture. President Museveni is one African leader who is vigorously seeking greater market access over development aid. With the African Growth and Opportunity Act, we have successfully promoted apparel and other industries in Africa. We should adopt the same market prescription at home to boost African agriculture.

"Freeing agricultural is a win-win. As the largest agricultural exporter in the world, and an efficient producer of many agricultural products, the U.S. stands to gain much from successful WTO "Development Round" negotiations to liberalize agriculture. The Bush Administration has been rightly aggressive, calling for the elimination of agricultural export subsidies, a substantial reduction of farm tariffs, and significant reductions in trade-distorting domestic support. A World Bank study estimates that liberalized trade in agriculture would add $122 billion dollars to developed economies, and $43 billion to African and other developing economies over five years.

"The health of African agriculture is of great importance to the United States. Food security, avoiding famine and the instability that it brings, is the most immediate interest. The development of agricultural economies that help raise Africans out of poverty is also critical. An Africa in which agriculture is in decline is an Africa with very negative humanitarian, economic, political, and security implications for the United States. Agricultural development in Africa must be a critical goal."

Mr. ROYCE. I am now going to turn to Ranking Member Mr. Payne of New Jersey for any opening statement he might wish to make.

Mr. PAYNE. Thank you very much, Mr. Chairman, for calling this very timely meeting. Let me welcome the President of Mali to our hearing. It is a privilege to have a President of an important nation come before a Subcommittee. With that, I thank you very much.

Mali is one of the quiet successes of Africa and is a shining example of democracy, progress and hope for Africa. This hearing is of utmost importance to millions of farmers on the continent of Africa. I think it is high time we assess the impact of our government's agricultural policies, particularly on farm subsidies and the impact on the developing world, especially Africa.

I commend Chairman Royce for calling this hearing and providing a forum for the dialogue of this issue of extreme inequities, which form the structure of the free market economy. As President Bush's farm security act was signed into law 1 year ago, increasing agricultural subsidies by 80 percent, millions of African farmers ponder the fate of their livelihood, especially cotton.

These subsidies have encouraged increased production, particularly of cotton in the United States and consequently has driven down world prices of cotton and corn. According to the Center for International Development at Harvard, more than 10 million small scale growers in west and central Africa, who depend on cotton as the main source of their annual income, have suffered from subsidization as world supplies remain high and prices linger at all-time lows.

The extremely low prices have caused huge losses in developing countries, whose economies depend heavily on cotton. The British relief agency, OXFAM, notes that Mali received $37.7 million from USAID in 2001, but because of American subsidies, the country's producers lost $43 million.

According to UNDP, countries belonging to the Organization for Economic Cooperation and Development, OECD, provides about $1 billion a day in domestic agricultural subsidies, more than six times what they spend on official development assistance for developing countries.

In response to the increasing plight of farmers due to subsidization, cotton producers in Benin, Burkina Faso, Chad and Mali recently filed a complaint with the WTO against cotton subsidies paid in the United States and Europe, requesting compensation for damages to the cotton industry in their countries, which resulted from these policies.

Clearly subsidies are a destructive force to not only African production, but to the agricultural sector worldwide. They encourage over production and distort world prices. The United States needs to make better use of its development aid to Africa.

Agricultural assistance dropped by 50 percent in the 1990s. We can support efforts by African countries to improve capacity of small scale farmers to not only produce but to get product to the marketplace, as we must address the absolutely unequal footing of Africa's farmers in the free world as they are left to compete with the highly subsidized United States and European farmers. Rich countries spend more than $311 billion a year in agricultural subsidies. Three hundred and eleven billion dollars a year in subsidies is awesome, twice the amount of the total farm exports from developing nations, according to a study by the Paris led OECD.

United States farmers on average receive ⅕ of their income from Washington, but unfortunately agriculture subsidies in the United States fail even the nation's family farmers and exacerbates the inequality of the agriculture sector here.

So as I conclude, let me say that after all United States farm subsidies target large corporate farmers and not the smaller family farms, according to the organization Food First. The top 10 percent of farm subsidy recipients collect ⅔ of the money and the bottom 80 percent gets just ⅙. Forty-seven percent of the commodity payments will go to large farmers, with an average household income of $135,000.

Globalization has allowed wealthy countries to trade with more ease and less capital expended. So as rich nations grow richer, they must not continue to increase agricultural subsidies to give their products the edge to dominate the worldwide market, while crushing the economies of agriculture in other countries. So we must end the inequities and agricultural policies.

I would just also like to mention that today I had the privilege of introducing a resolution that commends Mali on its outstanding work in peacekeeping and to commend the people of Mali for its hard work that acknowledges the strong relationship between the United States and the Republic of Mali and recognizes Mali's role in building a participatory democracy, providing leadership through conflict resolution and peacekeeping activities and to support the fight of terrorism. Thank you, Mr. Chairman. With that, I will yield back the balance of my time.

[The prepared statement of Mr. Payne follows:]

PREPARED STATEMENT OF THE HONORABLE DONALD M. PAYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

I am honored to welcome President Toure of Mali to this hearing. Mali is one of the quiet successes of Africa and is a shining example of democracy, progress, and hope for Africa.

This hearing is of utmost importance to millions of farmers on the continent of Africa. I think it is high time we assess the impact of our own government's agricultural policies, particularly farm subsidies, on the developing world and especially Africa.

I commend Chairman Royce for calling this hearing and providing a forum for the dialogue on this issue of extreme inequities which form the structure of the free market economy.

As President Bush's Farm Security Act was signed into law one year ago, increasing Agricultural subsidies by 80%, millions of African farmers pondered the fate of their livelihood—cotton.

These subsidies have encouraged increased production, particularly of cotton, in the U.S. and consequentially have driven down world prices of cotton and corn.

According to the Center for International Development at Harvard more than 10 million small-scale growers in West and Central Africa who depend on cotton as the main source of their annual income have suffered from subsidization as world supply remains high and prices linger at all-time lows. The extremely low prices have caused huge losses in developing countries whose economies depend heavily on cotton.

The British relief agency Oxfam notes that Mali received $37.7 million from USAID in 2001, but because of American subsidies, the country's producers lost $43 million.

According to the UNDP, countries belonging to the Organization for Economic Cooperation & Development (OECD) provide about $1 billion a day in domestic agricultural subsidies—more than six times what they spend on official development assistance to developing countries.

In response to the increasing plight of farmers due to subsidization, cotton producers in Benin, Burkina Faso, Chad and Mali recently filed a complaint with the WTO against cotton subsidies paid in the United States and Europe, requesting compensation for damages to the cotton industry in their countries which resulted from these policies.

Clearly, subsidies are a destructive force to not only African production but to the agricultural sector worldwide. They encourage over production and distort world prices.

The U.S. needs to make better use of its development aid to Africa.

Agricultural assistance dropped by 50% in the 1990's. We can support efforts by African governments to improve capacity of small-scale farmers to not only produce but to get product to market.

And we must address the absolutely unequal footing of Africa's farmers in the free market as they are left to compete with highly subsidized U.S. and European farmers.

Rich countries spend more than $311 billion a year in agricultural subsidies, twice the amount of total farm exports from developing nations, according to a study by the Paris-based OECD.

U.S. farmers, on average, receive a fifth of their income from Washington. But unfortunately agricultural subsidies in the U.S. fail even the nation's family farmers and exacerbate the inequities of the agricultural sector here in this country.

After all, U.S. farm subsidies target large corporate farms and not smaller family farms. According to the organization FOOD FIRST, the top 10 percent of farm-subsidy recipients collect two-thirds of the money, and the bottom 80 percent get just one-sixth.

Forty-seven percent of commodity payments will go to large farms with average household incomes of $135,000.

As a UNDP report on the WTO says, the rules of international trade must be made fair.

Globalization has allowed wealthy countries to trade with more ease and with less capital expended.

As rich nations grow richer, they may not continue to increase agricultural subsidies to give their products the edge to dominate in the world market while crushing the economies of agriculture—reliant developing nations.

It is incumbent upon us to reduce poverty, not create or exacerbate it.

We should use trade—true fair trade—as a means of reducing poverty in Africa and the rest of the developing world.

This is an attainable goal. As the Bush administration stresses trade over aid, we must make sure that the playing field is leveled and that African producers get the chance to really compete. One large agriculture powerhouse in Africa could feed the whole continent and could be a force to contend with in the world market.

We must end the inequity of our agriculture and trade policies and allow African countries the opportunity to prosper through agricultural development.

Mr. ROYCE. Thank you very much, Mr. Payne.

It is an honor to welcome President Amadou Toumani Toure of Mali here to the United States to testify today and we are going to ask you to make a short statement, Mr. President.

I did want to say that Mali is a country who has made some important decisions that augur well for its future. It has rejected dictatorship, instead opting for pluralism and for democracy.

The people of Mali have gone to the polls three times since 1992 to choose their representatives and Mr. President you ran in 2002 and took office that year and it was the first time since independence in 1960 that one democratically elected President handed over power to another in Mali.

The government has shown a commitment to improving the living standards of its population. The government of Mali views agriculture and rural development as key to poverty alleviation and your economy grew by approximately 5 percent annually over the last decade.

As a result of this impressive growth, poverty decreased by 7.5 percent between 1996 and 2000 annually. Cotton production has been key to that. It increased rapidly through the 1990s, to make Mali the second largest African exporter of cotton, right behind Egypt.

However, protectionist agricultural policies in the United States and in the EU, including cotton subsidies totaling some four billion annually worldwide have undermined Mali's progress and harmed millions of small scale cotton growers in West Africa and in Central Africa and Mali has dealt effectively in the past with the scourge of war that hinders progress in far too many African countries. It negotiated a definitive inclusive end of the fighting that racked the country back in 1990 to 1996 and this ended a painful drain of scarce resources and once again permitted free movement across Mali's northern region.

Mr. President, it is a privilege to have you here today and I am going to ask again if you would just say a few words on the issue of agricultural development in Africa. Thank you.

## STATEMENT OF H.E. MR. AMADOU TOUMANI TOURE, PRESIDENT OF THE REPUBLIC OF MALI, THROUGH AN INTERPRETER

President TOURE. Thank you, Mr. President. I would like to thank you on behalf of Mali, West Africa and the African continent in general, first for the interest and your compassion on this issue which is today a sort of tragedy in Africa.

I totally support what was declared here by President Museveni of Uganda. What he said was right. I might say that these subsidies now most hinder our developments. We have less class rules, less efforts for health, less roads in our countries, and less jobs for our young people.

Instead of becoming an advantage for us, our little country has turned to be a burden on us. I want to come back to the statistics that you gave right now. I will give the example of four African countries: Chad, Benin, Burkina Faso and Mali.

We have about 12 million cotton producers and we know that now we lose about $250 million on our receipt incomes. This is equally true for West Africa and Central Africa and the main cause for these losses are the subsidies granted by some countries to agriculture.

Mali is the second largest cotton producer in Africa. At a certain time, cotton used to be the driving engine of our economy, which fed our receipts and incomes. But today, we are obliged to subsidize our cotton in order to make up for the losses. Our cotton, instead of being assets, has now become a burden and a constraint on us.

Today Mali has a 3.2 million cotton farmers. So I have come to you, Mr. Chairman, and talk on behalf of all the African heads of states. I have come also to plead on behalf of West Africa and Central Africa. It is no use to give us assistance when what we will lose is higher than what we get as citizens.

We are convinced that the breeding field for terrorism is poverty. One of the major reasons of conflicts in Africa is also poverty. Our rural population are the poorest in our countries. We need no more additional assistance. We simply want our produce to be given right prices.

Subsidies have killed African agriculture, in particular cotton. I wish to thank you, Mr. Chairman and wish to request your compassion on this tragedy in our countries. I am talking on behalf of African children and women, who work 24 hours a day in their fields and we live in a Saharan region and we never know when it is going to rain.

For a matter of social justice, in order to abide by the rules enacted by the big countries in terms of competition, we want these countries to accept competition on the basis of rules that they themselves enacted. We feel that subsidies are an injustice. We request for your understanding and also we ask for solidarity on the part of the other countries of the world.

I prepared a written document that I will give to you, Mr. Chairman, so that I may not take too much of your time. But Mr. Chairman, on behalf of all Africans, African men and the children, on behalf of the African farmers who will get no opportunity to come to Washington, we would like to thank you for the opportunity that was given to us. We thank you on behalf of the whole continent.

[The prepared statement of President Toure follows:]

PREPARED STATEMENT OF H.E. MR. AMADOU TOUMANI TOURE, PRESIDENT OF THE REPUBLIC OF MALI

I would like, first of all, to express, on behalf of the people and Government of Mali, most profound gratitude to the Congress and all its August Members, for the opportunity thus given to me to come and bear witness on the adverse consequences of agricultural subsidies on the cotton producers in Mali and all over the African continent.

I deem it a great honor for me to stand before you and talk to you on behalf of Mali and on behalf of my brother heads of States of Burkina Faso, Benin and Chad.

Mali and the United States share several common values. We both believe in an open and vibrant democracy; we believe in freedom of speech and worship; we believe in human rights; we believe in market economy. Mali closely works with the United States in keeping peace and regional security, and remains a credible partner in the struggle against terror. We have come to the United States with the will to propose a sound partnership between our two countries, but not as beggars.

Over the past 12 years, we accomplished huge progress in Mali. We have established a strong tradition of democracy, held peaceful elections, promoted political decentralization which led to the blossoming of the civil society, and undertaken indepth economic reforms. The cornerstone of these reforms was the liberalization of our agricultural market starting with the cereal market. We have highly appreciated the assistance granted to us by the United States through the USAID, and the technical assistance from American universities when we initiated those reforms, including the creation of competitive agricultural markets.

You will have a still clearer picture of our initiative, through some indicators on the importance and weight of agriculture in our economy. More than 70% of our fellow-citizens live in rural areas, and if the economy were to develop, it would surely do so through agriculture. Agriculture is the backbone of Mali's economy. As such, it stands for 42% of our country's GNP, and provides both the government and communal authorities with 75% of our exports receipts as well as a large portion of tax revenues.

That is why, we are committed to make intensive agriculture the driving engine of Mali's development.

Agriculture provides us with more than food. It is the source of income for most of our 11 million fellow citizens. It creates other job and income generating activities in other sectors of the economy such as food industry and women's micro-enterprises. It supplies capital needed for investment in our rural areas, from enterprises to roads. It secures decentralized communities with incomes that enable them to pay for their schools and health centers. Unless agriculture prospers, Malian children will not learn how to read and write, families will be sick because of polluted waters, women's micro-enterprises will not be operational, and people will die from avoidable diseases. Our youth will be jobless, and feel frustrated and alienated.

To put it simply, a prosperous and profitable agriculture is absolutely essential to enable Mali pursue her democratic development in peace. That is why, my Government has placed agriculture and rural development at the core of our economic development strategy, and last year we increased our budget allocated to agricultural development by 30%.

In underscoring Mali's case, I wanted to concretely illustrate my talk. What you should retain from it is mainly the fact that I could have said the same thing talking about Burkina Faso, Benin and Chad: because the problem facing our cotton sectors are the same.

Therefore, it is on behalf of all these countries that I congratulate the Congress for this initiative, and I express our gratitude to the International Relations Committee, the Sub-Committee on Africa of the House of Representatives. Your initiative is a token of your great compassion towards the development of our countries. The assets to promote such development are, unfortunately, not too many. Among them, cotton often occupies a prevalent position. I have come here to talk to you precisely about the difficulties facing this cotton on world markets.

A few years ago, cotton was a source of wealth for us. Nowadays, it has turned into a burden, a factor of impoverishment. This trend mainly worsened over the last three years, marked with a drastic fall in world prices, which reached their lowest level, at 35 cents a pound in late 2002.

Although several factors concurred in this situation, agricultural subsidies are the main cause of this market deregulation which has serious consequences on our economies

As an example, in 2001 Mali lost 1.7% of her GDP and 8% of her export receipts; Burkina Faso lost 1% of her GDP and 12% of her export receipts; Benin lost 1.4% of her GDP and 9% of her export receipts.

Beside the macro economic impact of these losses in receipts caused by subsidies in developed countries, it is worthy to note the socio economic repercussions on the 15 million people out of which two million producers live directly on cotton. This situation generates poverty among African rural folks, and particularly in cotton producing areas. Poverty leads to rural depopulation. According to a survey conducted by the International Cotton Advisory Board, the withdrawal of US cotton subsidies shall increase Malian cotton farmers' income by more than 31%, from $500 to $659 a year, a huge amount in a country where very few people earn $1 a day. For the Malian economy as a whole, that will generate a gain of more than $55 million per year, a sum which is higher than the total value of the United States' assistance to my country.

The paradox in the situation is that African producers can no longer live on their cotton, which still remains the most competitive one in the world. As an illustration: when the price of cotton was 35 cents a pound, in late 2002, the production cost was, in average, 47 cents a pound in Western and Central Africa; against 73 cents a pound in the United States of America. Production costs in Europe (Greece and Spain) were even higher than in the USA.

African cotton producing countries draw no profit from this comparative advantage because international trade rules, as defined by the World Trade Organization, are biased by the substantial subsidies granted to European, American and Chinese cotton producers. Those subsidies were estimated, in 2001, to $700 million for Europe, $2.3 billion for the USA and $1.2 billion for China.

Facing the growing deterioration of our economies and the threats on the survival of our cotton sector, we have decided to pull the alarm bell, so that along with our partner countries we could come out with an equitable solution in favor of African cotton producers.

We are delighted to note that the US Congress has understood our message and decided to offer us such a forum. The request from Western and Central African cotton producing countries does not aim at any form of confrontation. It is a hand stretched out for dialogue and negotiation.

Each of the countries granting agricultural subsidies to their cotton producers has an important responsibility in our countries' development.

THE MEANING OF OUR SECTORIAL INITIATIVE ON COTTON AT THE WTO

The recourse to WTO itself is an expression of our countries' trust and confidence in the system of world trade regulation and arbitration, in the inception of which the United States played a major role.

The sectorial initiative on cotton is based on principles stated in the new trade negotiations under the Doha cycle which is aimed at establishing an equitable and fair trade system tallying with market rule.

A lasting settlement of the African cotton crisis shall be achieved through:

1—A recognition of the strategic importance of cotton in our development and in cutting poverty in our countries;

2—The total elimination of support measures to cotton production and export;

3—The setting up in Cancun, by the 5th WTO ministerial conference to be held from 10th to 14th September 2003, of a system to gradually reduce—and eventually totally eliminate—all cotton subsidies;

4—In appliance with the results of the Doha cycle, and until a total withdrawal of subsidies, compensations to be paid to the least advanced countries producing cotton in order to make up for the losses they incur.

Your debates here are of crucial importance to Mali and other African countries striving to tread the path of globalization which, in their opinion, should lead to reducing poverty and famine. We are not requesting a special transaction; but, we simply wish the globalization race field to be an arena where competitors shall have equal opportunities. We feel that, in working together, the international community as a whole will be able to make trade an instrument that can benefit all of us.

As we recommend the work initiated by your sub-committee, we are convinced that we can rely upon the support of the US Congress and Administration for the success of this initiative on cotton.

Thank you for your attention.

Mr. ROYCE. Thank you, President Toure. We appreciate your testimony here today. We are now going to go to our panel of witnesses and I will introduce each of them and afterwards we will have questions from the Members of Congress for our three panelists.

We appreciate, Mr. President, you going out of your way during your trip here to the United States to address our Committee here today.

Our first witness is Mr. Erastus Mwencha, who was appointed Secretary-General of the Common Market for Eastern and Southern Africa in 1998. He has been serving as the Acting Secretary-General since January, 1997. He played an important role in the launch of the preferential trade area for eastern and southern Africa.

He has worked for the government of Kenya and was awarded the Award of the Burning Spear in recognition of his service to Kenya. Secretary-General, it is a pleasure to see you again.

Our second witness is Mr. Henry Kartchner. He is Chairman and Founder of Food Development Corporation and previously founded Desert Magic, an agricultural firm specializing in farming potatoes in desert soil. After selling Desert Magic, he founded the Food Development Corporation to bring his experience and expertise to Africa, where he has years of on-the-ground experience. The Food Development Corporation has now completed 40 agricultural products in some 21 African countries.

Lastly, Dr. Terry Townsend is the Executive Director of the International Cotton Advisory Committee. He received his doctorate in agricultural economics from Oregon State University in

1983. He served in the Peace Corps from 1974 to 1976 and worked as a wheat marketing extension agent in Oregon in 1983.

Until 1987 he was employed at the Economic Research Service of USDA, first as the coordinator of the cotton and wool outlook and situation report and later as economics editor of Agricultural Outlook. He came to ICAC in 1987 and served as a statistician for 11 years, before becoming executive director in 1999. Dr. Townsend, we appreciate you giving this testimony as well. We are going to start with Mr. Mwencha.

I am going to remind our witnesses that we want to keep this to 5 minutes and I will also share with you that we have already read your written testimony. So, it would probably keep it a little more lively and interesting if you would speak off-the-cuff and just give us right now your feelings on this issue. Go ahead, sir.

**STATEMENT OF THE HONORABLE ERASTUS J.O. MWENCHA, M.B.S., SECRETARY–GENERAL, COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA**

Mr. MWENCHA. Thank you, Mr. Chairman. This is indeed an honor and privilege for me again to appear before your Committee to address the issue of agricultural development in Africa and how important it is to us. Mr. Chairman, since you have the written text I will, in obedience to your remarks, just make some few off-the-cuff remarks.

COMESA represents 20 countries that are striving to develop integration in Africa, noted by sustainable development. We share the economic values of the United States and COMESA is one of the dynamic and most leading rich economic grouping in Africa, having established a free trade area in the year 2000.

The statistics have been well captured in your remarks about the significance of agriculture in Africa: How it employs close to 70 percent of the population, its value in exports, which is almost 30 percent, and as a source of raw materials for industry and other sectors.

You have also aptly captured the picture that in the last 30 years the sector is stagnating and this also reflects the current challenges that we face in the sector, in terms of food production and starvation that is common in the continent.

But agriculture also offers the biggest hope and opportunity for Africa's growth. These opportunities are in irrigation, they are in biotechnology, they are in food processing and agribusiness and that is one of the reasons we are in the United States: To explore opportunities for cooperation with the American business community.

I want to now focus on six key areas that we think should be addressed for us to solve the fundamental issues that affect agriculture in Africa. One is subsidies and this has been well captured by President Toure. It is disheartening that progress at the WTO is far from giving us any hope of what we thought that it could bring to Africa's development.

Three months before Cancun meeting we have not made progress and we hope that the United States will use its influence first to set the example and secondly to convince the rest of the world that

Africa cannot continue to wait for much longer, because the scourge of starvation is getting beyond any fair human tolerance.

But we also come here as we talk about investment to ask that United States could consider encouraging investment in agriculture, particularly in the sector, some of the so-called sensitive sectors like textiles. If these could also be one area that the United States could encourage institutions like OPIC, to support American investments in Africa, so that there is value adding in Africa, cotton farmers in Africa can get a fair return from their labor.

The second aspect is market access. I am happy to report that since testifying before this Committee in October, we have seen some progress. We now have in the region Avis and some PRA's all taking place, but we hope that your Committee will continue to support the department with more resources so that this work and for African farmers to be able to access the United States market.

One of our worries and as I talk of COMESA, only four products today have been approved to enter the United States market and yet from other regions we have much more products and we hope that this is an area that we can work together to reduce the time, to reduce the bureaucracy and improve capacity in Africa for us to export to the United States.

Again in the third area that is of interest to us is technology and biotechnology in particular. We are worried that we have been sandwiched between the United States and Europe in this debate and we hope that some time sooner than later we will have some conclusion of this debate so that Africa can take advantage of this emerging technology. We believe that in the meantime there is a number of areas we can work together, especially in capacity building, in transfer of technology, in research and so forth.

The fourth area is in food aid. Much as we appreciate and we thank the international community for assisting Africa, food aid walks like subsidies. It depresses farm price and discourages farmers from going on with that provision. We hope that in the future food aid would be crafted in such a way that we exhaust original supplies before we bring outside support.

So Mr. Chairman, in conclusion, there are also areas that we would like to look at, particularly the agenda. Most of the farmers in Africa are women that struggle on small scale holding. They are suffering from scourges like AIDS that now threaten their livelihood, because they cannot devote enough time to agriculture.

We thank the United States for coming forward with some of the schemes to address this important aspect, but I would also like to see value adding to African products. Value adding through institutions that can train more scientists in Africa, that can train more workers in areas like textiles, that can train African farmers to acquire new technology. Thank you, Mr. Chairman, for giving us this opportunity to talk.

[The prepared statement of Mr. Mwencha follows:]

PREPARED STATEMENT OF THE HONORABLE ERASTUS J.O. MWENCHA, M.B.S., SECRETARY-GENERAL, COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

*Mr. Chairman,*
*Distinguished Members of the Africa Sub-Committee:*

It is indeed an honour for me to appear before you once again to address the issue of agricultural development in Africa. Allow me here to thank you for according me this opportunity.

The Common Market for Eastern and Southern Africa, commonly known as COMESA, is a grouping of 20 nations in eastern and southern Africa[1] whose shared motto is "Economic Prosperity Through Regional Integration". COMESA Member States are striving to develop better integrated economies, where business thrives as a result of measures taken by COMESA to standardize customs procedures, reduce tariffs, encourage investment, and improve infrastructure, just to name a few of our initiatives.

The Free Trade Area launched by COMESA in 2000 now encompasses nine countries with a population of nearly 200 million people with a combined Gross Domestic Product of about $US 200 billion. It is Africa's largest and most dynamic free trade area and is set to expand early next when two more countries will become members.

As with most of Africa, agriculture forms the very backbone of the economies of most of COMESA's Member States, employing a large majority of our populations and representing vast potential for future economic growth and development. Across Africa agriculture provides more than 30 percent of GDP; employs about 70 percent to 80 percent of the active labour force and accounts for about 28 percent of exports and provides 50 percent of raw materials to the industrial sector.

These statistics underscore why agriculture has been given its due priority in the Lagos Plan of Action, the New Partnership for African Development (NEPAD), The Harare Declaration, the Priority Programme for Economic Recovery, and the World Food Summit Plan of Action.

I need not tell you, however, that for the past three decades, Africa has experienced more than its share of stagnant economic growth, declining per capita income and deteriorating per capita food production. The disappointing performance of the agricultural sector in Africa has exacerbated the ongoing food shortages confronting the continent.

This is one of the reasons why agriculture development in Africa is a priority for COMESA. The need for regionally focused co-operative efforts and strategies in agriculture cannot be over-emphasised.

*Mr. Chairman,*
*Distinguished Members of the Africa Sub-Committee:*

The development of the agricultural sector in Africa offers great opportunities for improving food security, production, and income generation. Areas offering substantial agricultural investment potential for American companies are irrigation development, agricultural biotechnology, food processing and agribusiness.

Before this sector can fully realise its considerable potential in Africa, the following challenges must be acknowledged and addressed—in Africa and far beyond the continent's shores:

### I. AGRICULTURAL SUBSIDIES

Agricultural subsidies by developed countries affect the competitiveness of Africa's produce our own markets and in the international market. While this is a contentious issue, the fact is that American and European agricultural subsidies negatively impact some of Africa's most vulnerable populations.

Family-owned smallholder cotton farms in Africa, Zambia being a prime example, simply cannot survive when subsidies in the U.S. and elsewhere continue to drive cotton prices downward. The development of an integrated textile and apparel sector in Africa—one of the primary goals of the laudable AGOA legislation passed by this House a few short years ago—is intricately tied to the continent's ability to find markets for its cotton.

*On a related note, I here will add parenthetically here a plea: That as you consider this year the re-authorisation of your Overseas Private Investment Corporation (OPIC), you give serious consideration to revising OPIC's mandate. I ask that you take the necessary steps to embolden OPIC's leadership to become more aggressive in supporting American investment in the cotton and textile sector in Africa so that AGOA can realise even more positive results. We in COMESA have lost such invest-*

[1] COMESA Member States are Angola; Burundi; Comoros; Democratic Republic of Congo; Djibouti, Egypt; Eritrea; Ethiopia; Kenya; Madagascar; Malawi; Mauritius; Namibia; Rwanda; Seychelles; Sudan; Swaziland; Uganda; Zambia; and Zimbabwe. In U.S. Fiscal Year 2002, COMESA programs received approximately $US3.5 million in support from the United States Agency for International Development through its regional office in Nairobi, Kenya. COMESA has also signed a Trade and Investment Framework Agreement with the Office of the United States Trade Representative.

*ment opportunities. It is also for this reason that we appeal to you to explore granting tax incentives to American companies that invest in Africa.*

Agricultural subsidies are a double-edged sword. They not only depress local market prices, they inflate export market prices and drive up costs for consumers everywhere. The end result is that our commodities are not competitive at home or abroad.

## II. MARKET ACCESS

Inadequate access to regional markets and international markets is a major problem for Africa's farmers. Sometimes this is a result of inadequate market information in Africa on trading opportunities, poor infrastructure that prevents produce from reaching local markets and/or ports, or lack of air links that could allow for speedy delivery of products to their markets.

At the same time, however, lack of market access can often be attributed to technical barriers, non-tariff border measures, arbitrary invocation of safeguard measures, and high tariff rates. As I explained to you when I testified here last October, non-tariff obstacles to the export of fresh African produce have been considerable. It is worth re-iterating the dismal position that Africa currently occupies in terms of fresh-produce access to the American marketplace:

As of late last year, the United States Department of Agriculture (USDA) had approved only 45 items of fresh products for export to the United States from the 53 nations of Africa. By way of comparison, 18 non-African countries, mostly in Latin America each had more than 45 approved products. In the COMESA region, where in countries like Kenya and Zambia we have some of the leading producers of fresh agricultural vegetables and fruits, only four products had been approved and these are onions and pineapples for Kenya, snow peas for Zambia and yams for Madagascar.

*Mr. Chairman,*
*Distinguished Members of the Africa Sub-Committee:*

It is important to note that, due in part to the support of this House and that of the United States Senate, the United States Agency for International Development and USDA are now beginning to help Africa understand better the necessary sanitary and phyto-sanitary standards required for exporting fresh produce to the United States. We are encouraged by the progress that has taken place since I last appeared before you and take this opportunity to express COMESA's gratitude for the support and counsel provided by you on this issue. We will continue to follow it closely.

## III. CAPACITY BUILDING FOR AFRICAN PRODUCERS

While we are heartened by the recent progress to address sanitary and phyto-sanitary issues through assistance provided by USAID and USDA, we recognize that this laudable effort is intended only as a short-term remedy for a backlog of export requests. Considering this issue as a longer-term challenge, we propose that USAID and USDA be provided with sufficient resources to cooperate with Africans on the following:

- The establishment of regional laboratories to conduct scientific analysis of Africa's fresh produce to ensure that, before export, it poses no pest threat to the American market.
- Training of African entomologists and plant pathologists who can certify that African produce adhere to American sanitary and phyto-sanitary standards.

## IV. BIOTECHNOLOGY

If properly used, biotechnology can help increase crop yields in Africa and consequently address the issue of food security and poverty. However, there is need to provide more information on safety aspects of outputs of biotechnology.

For better or worse, the fear exists in Africa that U.S.-produced and patented genetically modified seeds, if introduced into Africa, will result in perpetual dependency of African farmers on U.S. seed suppliers.

A few suggestions for resolving some of the fears of biotechnology in Africa include the following:

a) Train African scientists in modern biotechnology techniques
b) Strengthen the capacity of African research institutions to access proprietary technologies from the international research community

c) Fund new research where there are key opportunities for biotechnology to add value to marketed crops, aquaculture and livestock
d) Establish agribusinesses to deliver and use biotechnology applications in the food-food systems in Africa
e) Help adapt existing technology to the crops, animals and constraints of specific African countries, in consideration should be given to local ecological scenarios
f) Help develop a policy environment that allows the application of biotechnology already developed by the private sector and the international research community
g) Marshal international acceptance of biotechnology to allay fears in Africa that pursuing biotechnology may result in loss of some export markets e.g. the EU market.

V. NEGATIVE IMPACT OF FOOD AID

While food aid is welcome in times of drought and crop failures, there is need to procure food aid from within the affected countries or the region to avoid distorting the market and frustrating local agricultural efforts. Food aid benefits the African urban consumers as it is cheap but penalizes the poor rural farmers. This situation perpetuates a dependency syndrome on the continent.

VI. HIV/AIDS

The HIV/AIDS pandemic in Africa is a growing threat to the continent's long-term viability and to the world's security. The disease leaves no sector of the economy untouched, including agriculture. The progression of the disease has been accompanied by decreased ability to produce and market agricultural products. Only a comprehensive approach to the problem can achieve positive results. For this reason, we are grateful to you and to President George W. Bush for having enacted legislation that will significantly boost the United States contribution to fighting this plague in Africa.

VII. GENDER

Many national agricultural policies in Africa tend to be silent on gender issues, particularly when it comes to the considerable role of women in the sector. It is worth underscoring that women play a key role in African agriculture—in terms of food production, processing and marketing. Despite the involvement of women in agriculture, their productivity tends to be very low due to structural rigidities and other factors. Inadequate access to productive resources such as land, credit, technology and agricultural services are among the many factors that constrain women's productivity and thereby hinder the full development of the sector in Africa.

*Mr. Chairman,*
*Distinguished Members of the Africa Sub-Committee:*

I have attempted to outline for you some of the key observations on, and challenges confronting, agriculture in Africa as seen through the eyes of COMESA, an organisation dedicated to finding regional solutions to Africa's development needs. It is true that so much remains to be done before Africa can be self-sufficient in terms of food. Much also remains to be done before Africa takes its rightful place on the world stage as an agricultural powerhouse. We remain hopeful, however, that these goals are attainable. We look forward to working with our partners to ensure that they are.

Thank you again for granting me the honour of testifying before you today. I would be happy to answer any questions.

Mr. ROYCE. Thank you, Secretary-General. We are now going to go to Mr. Townsend.

**STATEMENT OF TERRY TOWNSEND, Ph.D., EXECUTIVE DIRECTOR, INTERNATIONAL COTTON ADVISORY COMMITTEE**

Mr. TOWNSEND. Thank you, Mr. Chairman and Members of the Subcommittee. It is an honor to be here. I appreciate the fact that the Subcommittee has read the testimony in advance. I would like to draw attention to three particular areas: One is to quantify the subsidies that are paid each year. I also want to draw attention to the demand enhancement work of the United States and also to draw attention to the importance of the talks on agriculture in the WTO.

Direct income and price support provided to the cotton industry worldwide last season totaled $5.8 billion. That was equivalent to ¼ of the farm value of production.

Government support for cotton production this season is estimated to decline to $3.8 billion. This is equivalent to about 1⁄7 of the farm value of world production. The lower levels of support this year are the result of lower production and higher market prices.

Seven countries that together account for ½ of world production are offering direct income and price support this season, ranges from $2 billion paid in the United States to $7 million paid in Mexico. Subsidies this season range from approximately $1 per pound of lint in Greece and Spain, 26 cents per pound in the United States, eight cents in Mexico, seven cents in China mainland, five cents in Egypt and three cents per pound in Turkey. Again, that is seven countries. Greece and Spain at about $1 per pound each. The United States at 26 cents. Mexico at eight cents. China mainland at seven. Egypt at five and Turkey at three cents.

There is broad agreement that government subsidies lead to increased production and lower prices. Estimates by the ICAC Secretariat are that the average cotton price this season is at least several cents per pound lower than it would be in the absence of government measures and that these subsidies are costing cotton producers between one billion and $4 billion in lost revenue this season. That would be equivalent to about 1⁄7 to ⅛ of the farm value of production. However, the impacts of these losses are felt most heavily in countries where government measures are not provided.

In addition to distortions of supply, there are also positive distortions. The United States affects the demand for cotton through annual investments of about $70 million in both domestic and international demand enhancement work. These efforts were begun in the 1950s and our estimates are that they are boosting world demand for cotton by about seven million bales a year.

On a whole trade pipeline basis, the United States is a net cotton importer and accounts for nearly one-fourth of all the cotton consumed in the world at the retail level. During the last 20 years, per capita consumption of cotton in the world has fallen, but in the United States it has tripled.

Approximately 70 percent of all the cotton textiles and apparel sold at retail in the United States are imported and American consumers are the engine of growth in world cotton demand, to the benefit of all producers.

Mr. Chairman, as you noted in your introductory statement, there is no industry that is more distorted than agriculture. An agreement in the World Trade Organization to reduce subsidies that distort production and trade in agriculture will not be easy.

Cotton is important to the history and culture of the United States. Cotton production is also important to farmers in Greece and Spain. Within the United States, cotton farming occurs in lower income states and counties, often in areas where economic alternatives are not attractive. The impacts of farms spending on the regional economies of low income states are substantial.

The most constructive effort that countries can be making at this time is to ensure that the talks on agriculture and the problems of the cotton industry are priorities in their negotiations within the WTO. It is encouraging to note that the United States has put forward a strong proposal in the WTO that would reduce direct support to agriculture in the U.S. by approximately half.

The WTO is the sum of countries that participate in it. Countries can advance the interests of agricultural trade liberalization by articulating a positive program of mutual benefit within the talks on agriculture being conducted under the auspices of the WTO. Given the importance of cotton to the livelihoods of hundreds of millions of cotton producers, the specific concerns of the cotton industry regarding production subsidies deserve the full attention of governments. Thank you, Mr. Chairman.

[The prepared statement of Mr. Townsend follows:]

PREPARED STATEMENT OF TERRY TOWNSEND, PH.D., EXECUTIVE DIRECTOR, INTERNATIONAL COTTON ADVISORY COMMITTEE

GOVERNMENT MEASURES AND THE WORLD COTTON INDUSTRY [1]

Mr. Chairman and members of the Subcommittee, it is an honor to be able to testify before you today, and I thank you for this opportunity.

The International Cotton Advisory Committee (ICAC) is an intergovernmental organization composed of 42 countries that produce, consume and trade cotton. About half the members of the ICAC are producing countries, and about half are consuming countries in Europe and Asia. The mission of the ICAC is to assist governments in fostering a profitable and healthy world cotton economy by raising awareness of critical issues, by providing statistical and scientific information and by facilitating cooperation on international issues related to the cotton economy. The ICAC was formed in 1939 at an international cotton meeting here in Washington. The Government of the USA is an important and highly appreciated member of the ICAC. I am also honored to say that the governments of Mali and most other producing countries in Africa, Latin America and Asia are members of the ICAC.

Cotton is grown on about 80 million acres in approximately 80 countries. There are about 120 countries with textile industries. World production and consumption total approximately 96 million bales. China (Mainland) is the largest producer, accounting for about 26 million bales, and the USA is the second largest producer with about 17 million bales. The U.S. is the largest exporter and accounts for more than one-third of world exports or about 11 million bales a year.

The cotton market is one of the most important and diverse commodity industries in the world, providing employment to hundreds of millions of farmers and processors and serving as an engine of economic growth in both developed and developing countries across six continents. Cotton is simultaneously an agricultural product and industrial raw material, and the ICAC serves this industry as a source of timely, market-relevant statistics and scientific information and as a catalyst for international cooperation.

*Structural Change Ongoing*

The world cotton industry faces many challenges, including prices that remain below average, declining per capita consumption outside the United States, refinements in textile machinery that require higher quality cotton, environmental concerns, resource constraints and distortions to production and trade caused by government measures. The industry is in the midst of a prolonged downward shift in average prices. Year-to-year changes in cotton production are determined by marginal production costs, and marginal costs are falling to 50 cents per pound of lint or less because of the expansion of new producing areas and advances in technology that are resulting in rising yields and lower costs. The consequence is higher world production at each price level, resulting in lower average prices compared with the 1970s, 1980s and 1990s, and average prices are likely to be between 50 and 60 U.S. cents per pound most years this decade, 10 to 20 cents per pound lower than the average of the last thirty years.

[1] Testimony presented at a hearing entitled, "Boosting Africa's Agricultural Trade," before the House Committee on International Relations' Subcommittee on Africa, Tuesday, June 24, 2003.)

Prices were particularly low during the 2001/02 cotton season (the season measured from August 2001 to July 2002). The average world price of cotton fell to a thirty year low of 42 cents per pound. Cotton was not alone in experiencing devastatingly low prices in that time period, as the prices of almost all commodities were near 40-years lows at that time. The low prices of 2001/02 are leading to reduced production and increased consumption this season, and prices are rising. The average price during 2002/03 is expected to be 55 cents per pound, still approximately 30% below the long-term average of 72 cents.

Retail level demand for cotton is rising, but mainly because cotton prices are below average, thus triggering the substitution of cotton for polyester; unfortunately, the fundamental or underlying demand for cotton linked to rising incomes and shifts in consumer preference in favor of cotton is not strengthening worldwide. Cotton quality is improving, and technology to measure intrinsic quality parameters is expanding. The cotton industry needs to continue to adjust its marketing systems to incorporate new technology to better meet the demands of consumers. In too many countries, barriers exist to private sector investment and expansion, thus limiting the potential for growth in the cotton sector.

*Government Measures Distort*

While all challenges are important, perhaps none is timelier than the challenge of developing a constructive approach to the problem of distortions to cotton production and trade caused by government measures or subsidies. Government measures that insulate producers from variations in market prices lead to increased levels of production and lower prices for all producers. Direct income and price support provided to the cotton industry in 2001/02 was $5.8 billion worldwide, equivalent to about one-fourth of the value of world cotton production. Government support for cotton production is estimated to decline this season to $3.8 billion, equivalent to about one-seventh of the value of world production. Lower levels of support are the result of lower levels of production and higher market prices this year.

Seven countries that together account for one-half of world cotton production are offering direct income and price support in 2002/03, ranging from $2 billion in the USA to $7 million in Mexico. Subsidies this season range from approximately $1 per pound of lint in Greece and Spain to 22 cents per pound in the USA, and three cents per pound in Turkey.

Total expenditures by the U.S. government in support of the cotton industry amounted to $3.3 billion in 2001/02, of which direct income and price support was $3 billion. New legislation came into effect in 2002, and the 2002 farm bill determines the levels of support for the U.S. cotton industry for the current season and during the next 5 years. It is estimated that total direct income and price support in the USA for cotton will amount to $2 billion in 2002/03.

Government expenditures to assist cotton growers in China (Mainland) are estimated at $1.2 billion in 2001/02 and $750 million in 2002/03.

Cotton growers in Spain and Greece are offered assistance through the EU Common Agricultural Policy (CAP). Payments under the CAP amounted to $979 million in 2001/02 and are expected to decline to $957 million in 2002/03.

The government of Egypt provided $23 million a year to cotton growers during the last two seasons. In 2002/03, the government budgeted $33 million to help finance the difference between market prices and prices paid to producers.

The Government of Turkey provides direct support payments totaling $59 million in 2001/02 and $57 million 2002/03.

Support by the Government of Mexico to cotton growers is estimated at $18 million in 2001/02 and $7 million in 2002/03.

In addition to production subsidies, China (Mainland) and the USA provide subsidies to exports of cotton. However, these subsidies are far smaller than the levels of support for production. Export subsidies provided by China (Mainland) and the USA amounted to $121 million in 2001/02, and are estimated to increase to $232 million in 2002/03.

While there is general agreement in principle that government subsidies lead to increased production and lower prices, economists differ over estimates of the specific impacts of subsidies on prices. Estimates by the ICAC Secretariat indicate that in the absence of government support for the cotton industry in 2001/02, world production would have fallen by about 15% from its actual level, and market prices would have been substantially higher than they were. However, as the Committee is likely aware, economists often differ in their estimates, and the impact of subsidies on prices is difficult to quantify. Nevertheless, even conservative estimates of the impact of subsidies paid to producers in the USA, Europe, China (Mainland) and elsewhere are substantial.

For the current season, market prices are higher and so subsidies are lower, and the impact of subsidies on market prices is reduced. Nevertheless, the direct subsidies being paid to growers in seven countries this year are still substantial, and the impacts on production and prices are still significant. Even conservative estimates indicate that the average cotton price in 2002/03 is several cents per pound lower than it would be in the absence of government measures, costing cotton producers between $1 billion and $4 billion in lost revenue this season.

It should also be noted that most analytical work is confined to measurements of the impacts of direct income and price supports on agricultural markets, but that government measures include a broad array of indirect subsidies for inputs and research, many governments tax their cotton producers, and some governments influence their exchange rates to encourage increased export revenue.

*Demand Enhancement*

Cotton is important to all countries that produce it, and the total impact of the U.S. on the world cotton economy must be evenly evaluated. The U.S. industry and government invest approximately $70 million per year in domestic and international cotton market development efforts, and these efforts, begun in the 1950s, are boosting world demand for cotton. On a whole trade pipeline basis, the U.S. is a net cotton importer and accounts for nearly one-fourth of all the cotton consumed in the world at the retail level. During the last twenty years, per capita consumption of cotton in the world has declined, but in the U.S. it has nearly tripled. Approximately 70% of all the cotton textiles and apparel sold at retail in the United States are imported, and U.S. consumers are the engine of growth in world cotton demand, to the benefit of all producers.

Estimates indicate that the demand enhancement work of the U.S. cotton industry is boosting world demand for cotton by approximately 7 million bales per year, while the impact of subsidies on production is less. Accordingly, the net impact of the U.S. cotton industry on the world cotton economy and market prices is positive, and other producing countries could do much more to boost demand for cotton and strengthen the world cotton market.

*Developments in the WTO*

The venue for the negotiation of reductions in government measures that distort cotton production and trade is the World Trade Organization (WTO). An agreement to reduce subsidies that distort production and trade in agriculture will not be easy. Cotton is important to the history and culture of the USA, and cotton production is also important to farmers in Greece and Spain. Within the USA, cotton farming occurs in some of the lower-income states and counties, often in areas where economic alternatives are not attractive. The impacts of farm spending on the regional economies of low-income states are substantial.

Likewise, areas of cotton production in Greece and Spain are categorized as the lowest-income regions within the European Union, and average cotton farm size in Europe is less than 5 hectares. Consequently, the EU sees the cotton income support program as a justified mechanism to help small, low-income producers with limited impact on the world cotton market. Both the U.S. and the EU argue that as net importers on a whole trade pipeline basis, each is actually helping to sustain the world cotton market.

Many countries provide support to an estimated 160 agricultural commodities besides cotton. The issue of agricultural support is complicated by the existence of state trading organizations, the use of export credits and credit guarantees, tariffs and tariff rate quotas on agricultural products, food aid and other agricultural issues. Further, many countries impose tariffs on textile and apparel products, and the quotas under the Multi Fiber Arrangement (MFA) are still being phased out. Therefore, the negotiations to reduce government measures in cotton involve complex tradeoffs, and the mechanism to achieve reductions in trade distorting subsidies and tariffs is the talks on agriculture in the WTO.

*WTO Talks Key to Progress*

In summary, the most constructive efforts countries can make at this time is to ensure that the talks on agriculture and the problems of the cotton industry are priorities in their negotiations within the WTO. It is encouraging to note that the U.S. has put forward a strong proposal in the WTO that would reduce direct support to agriculture in the U.S. by approximately half.

The cotton market is changing, with improvements in technology and the development of new cotton areas leading to reductions in marginal costs and an expansion in the world supply relative to demand. Countries can continue efforts to remain competitive through increases in yields and quality and reductions in costs. Producing countries can improve their market potential through the establishment of national programs to provide positive information to consumers about cotton and by ensuring that their economies are open to new investment and growth.

The WTO is the sum of the countries that participate in it. Countries can advance the interests of agricultural trade liberalization by articulating a positive program of mutual benefit within the talks on agriculture being conducted under the auspices of the WTO. Given the importance of cotton to the livelihoods of hundreds of millions of cotton producers, the specific concerns of the cotton industry regarding production subsidies deserve the full attention of governments.

**Level of Assistance Provided by Governments to the Cotton Sector Through Export Programs**

| Country | 2001/02 | | | 2002/03 * | | |
|---|---|---|---|---|---|---|
| | Exports | Average Assistance per Pound Exported | Assistance to Exports | Exports | Average Assistance per Pound Exported | Assistance to Exports |
| | 1,000 tons | US cents | US$ Millions | 1,000 tons | US cents | US$ Millions |
| USA | 2,395 | 2 | 100 | 2,306 | 4 | 182 |
| China (Mainland) | 74 | 13 | 21 | 180 | 13 | 50 |
| All Countries | 2,469 | 2 | 121 | 2,486 | 4 | 232 |

* Preliminary.

**Level of Direct Assistance Provided by Governments to the Cotton Sector Through Production Programs ***

| Country | 2001/02 | | | 2002/03 ** | | |
|---|---|---|---|---|---|---|
| | Production | Average Assistance per Pound Produced | Assistance to Production | Production | Average Assistance per Pound Produced | Assistance to Production |
| | 1,000 tons | US cents | US$ Millions | 1,000 tons | US cents | US$ Millions |
| USA | 4420 | 31 | 3001 | 3446 | 26 | 1996 |
| China (Mainland) | 5320 | 10 | 1196 | 4920 | 7 | 750 |
| Greece | 435 | 77 | 735 | 355 | 92 | 718 |
| Spain | 107 | 104 | 245 | 97 | 112 | 239 |
| Turkey | 922 | 3 | 59 | 900 | 3 | 57 |
| Egypt | 317 | 3 | 23 | 290 | 5 | 33 |
| Mexico | 92 | 9 | 18 | 41 | 8 | 7 |
| Brazil | 766 | 1 | 10 | | | |
| India | 2686 | 8 | 500 | | | |
| Benin | 172 | 5 | 20 | | | |
| Mali | 240 | 3 | 14 | | | |
| Colombia | 26 | 16 | 9 | | | |
| Côte d'Ivoire | 173 | 2 | 8 | | | |
| Argentina | 65 | 5 | 7 | | | |
| All Countries | 15741 | 17 | 5844 | 10049 | 17 | 3800 |

* Income and price support programs only. Credit and other assistance not included. ** Preliminary.

Mr. ROYCE. Thank you, Mr. Townsend. We will now go to Mr. Kartchner.

## STATEMENT OF HENRY H. KARTCHNER, CHAIRMAN, FOOD DEVELOPMENT CORPORATION

Mr. KARTCHNER. Good afternoon, Chairman Royce.

Mr. ROYCE. Mr. Kartchner, could you push that red button there? There you go.

Mr. KARTCHNER. Okay. Thank you. Good afternoon, Chairman Royce and the Members of the Subcommittee. I would like to thank you for this opportunity to testify regarding the challenges that have faced African agriculture production for so long.

I would like to offer my views to you, based on my many years of firsthand experience working and managing projects in Africa. I am especially pleased to have the opportunity to chair a concept that we call agribusiness complex. It can be what we feel is a catalyst for sustainable economic development in agriculture.

This concept is not a theory. It has been proven. It has a track record of success and I stand ready to begin the long-range plan to help implement this agribusiness complex design throughout the Subsaharan Africa, beginning in Ethiopia.

I am the Chairman of the Food Development Corporation in Houston, Texas. What we try to do is to provide solutions to help establish and improve the nation's agribusiness development, which will help the people suffering from hunger.

I founded the Food Development Corporation in 1975, at the encouragement of agronomic division of Chase Manhattan Bank. They asked me to duplicate the success I had achieved in desert farming in the United States to the Middle East and North Africa. We pioneered many innovations in the cultivation and planting and harvesting of onions, potatoes, sugar beets and other crops that Chase believed would be a great demand overseas.

Food Development Corporation exceeded all these expectations and to date has completed 46 major projects, 21 in Africa, 14 in North America, eight in Asia and three in South America. We have had over 60 years of experience in large agribusiness developments, both domestically and international, with a proven achievement of success.

Food Development Corporation is especially successful in creating food security in Libya. At one time we supplied 70 percent of the domestic food production before ceasing all operations at the request of the U.S. Government.

In 1979 I traveled with Ambassador Andrew Young on an 18-day, eight country trade mission to Africa. I was the only agricultural person on the trip and was received very well in all the nations we visited. Considering the importance of agriculture in Africa, I was in great demand to offer advice and analyze problems and even left our tour to help save one of the local Nigerians chief's chickens that were dying.

Upon our flight home, I was asked by Andrew Young to visit with President Carter and I suggested to him at that time the agricultural complex system. What we try to do in Africa or wherever we go is we try to take the small farmer there, incorporate him along with our large operation, which will give them marketing, finance and help him sustain his economic engine.

We do not feel that the small farmer in Africa can remain like he is. He has to be more competitive, but he has to have finance and technology in order to do that. Even in cases where modern technology is utilized, often no support systems are available for the local farmer. If his equipment breaks down or requires maintenance, many farmers do not have access to the training in the latest agriculture sciences. In many cases, storage processing capabilities do not exist. Marketing is very, very limited there.

Many of the problems facing African agricultural sectors are well known to this Committee. Literally thousands of studies have been produced that describe the condition of widespread hunger and its basic cause, the lack of available and affordable food to sustain human life and development, but where most of these studies fail is the final solution and that is a plan to actually do the production. You find these studies throughout Africa and just about every nation, but the last chapter is never utilized.

The purpose of agribusiness complex is to create an all encompassing self-sustaining agriculture complex that integrates the local farmer. This size can range from 40,000 to 70,000 hectares. The facility serves as a platform that incorporates the introduction of technology, training and markets via the creation of ultramodern for-profit agribusiness.

The typical agribusiness complex will have livestock, dairy farming, food processing, support divisions for repairs and small parts and can provide direct employment to 30,000 people within 2 years. The basis for this design has all evolved over many years of implementing food projects.

I cannot tell you all the problems in Africa in 4 minutes or 5 minutes. So I just call your attention to the illustration on page three of our diagram and thank you very much for your time.

[The prepared statement of Mr. Kartchner follows:]

### Prepared Statement of Henry H. Kartchner, Chairman, Food Development Corporation

#### INTRODUCTION

Good afternoon, Chairman Royce and members of the Sub-committee. I would like to thank you for this opportunity to testify regarding the challenges that have faced African agriculture production for so long. I would like to offer my views to you, based upon my many years of first hand experience working and managing projects in Africa. I am especially pleased to have the opportunity to share a concept I call the "Agribusiness Complex" that can be the catalyst for sustainable economic development via agriculture. This concept is not a theory; it has a proven track record of success and I stand ready to begin the long-range plan to implement the "Agribusiness Complex" design throughout Sub-Saharan Africa beginning in Ethiopia.

#### BACKGROUND ON FOOD DEVELOPMENT CORPORATION

I am Chairman of Food Development Corporation in Houston, Texas. Food Development Corporation provides solutions to help establish and improve a nation's agribusiness development, which will help people suffering from hunger. I founded Food Development Corporation in 1975 at the encouragement of the agronomic division of Chase Manhattan Bank. They wanted to me to duplicate the success I had achieved in desert farming in the United States to the Middle East and North Africa. I pioneered many new innovations in the cultivation, planting, and the harvesting of onions, potatoes, and beets that Chase believed would be in great demand overseas. Food Development Corporation exceeded all expectations and to date has completed forty-six major projects with twenty-one in Africa, fourteen in North America, eight in Near Asia, and three in South America.

Food Development Corporation has over sixty years experience in large agro-business development, both domestic and international, in which a proven pattern of achievement was defined. Food Development Corporation was especially successful in creating food security in Libya, supplying 70% of its domestic food production before ceasing all operations as a result of the sanctions placed against that nation by the United States.

In the late 1970s I traveled with Ambassador Andrew Young on an eighteen day, eight country trade mission to Africa. I was the only agriculture specialist on the trip and was received very well in all of the nations we visited. Considering the importance of agriculture in Africa, I was in great demand to offer advice, analyze problems, and even left our tour delegation to save a local Nigerian chief's chickens. Upon our flight home, I was asked by Ambassador Young if I could be persuaded to alter my travel plans to go to Washington D.C. and brief President Carter on my experiences. I agreed and had the opportunity to visit President Carter in the White House. Understanding that my area of expertise was agriculture, President Carter asked me what my thoughts were about the U.S. aid program in Africa. I told him that it did not work and to stop spending money on something that is not producing results. President Carter asked me if I had a better idea in which I replied that I did. I proceeded to outline my concept of the Agribusiness Complex to him.

### CHALLENGES FACING AFRICAN AGRICULTURE DEVELOPMENT

Twenty-five years after my consultation with President Carter, problems faced by the African farmer and the African agribusiness sector still exist, and in many cases have worsened. Farmers in Africa, especially small farmers, face a consistent set of reoccurring problems. There is a lack of modern technology in farming practices. The void of technology may create "calorie deficient" farming in which a farmer can not produce enough food to equalize the amount of calories expended to maintain an existing farm. Even in cases where modern technology is utilized, often no support systems are available for the local farmer if equipment breaks down or requires maintenance. Many farmers do not have access to training in the latest agriculture sciences. In many cases, storage and processing capabilities do not exist. This creates a problem when farmers all harvest the same crop at the same time. The increased supply causes prices to decline, thus reducing profit maximization efforts. Additionally, a common problem for many African farmers is the limited availability of credit to expand or invest in their own operations and successes.

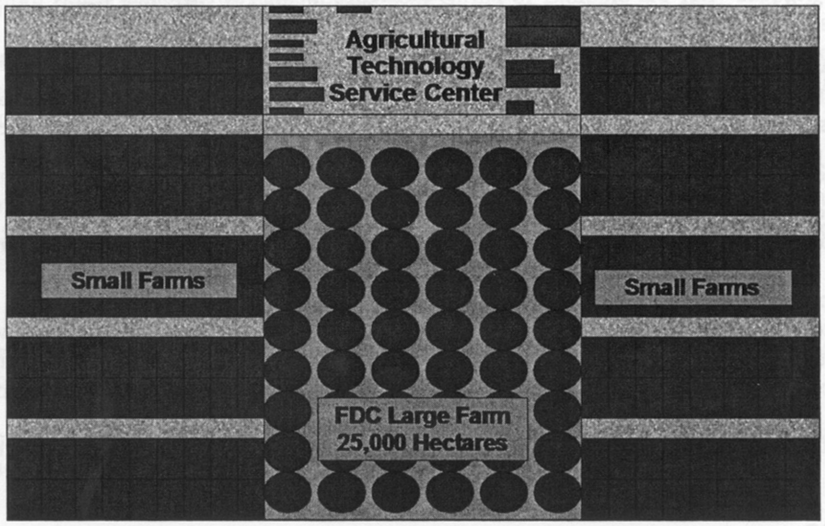
Many of the problems facing the African agriculture sector are well known to this committee. Literally thousands of studies have been produced that describe the condition of widespread hunger and its basic cause, the lack of available and affordable food to sustain human life and development. What most of these studies fail to address is a solution; a viable plan to reverse this trend and begin to foster economic growth through agriculture on a scale that is more productive and designed to return a decent living to the small farmer.

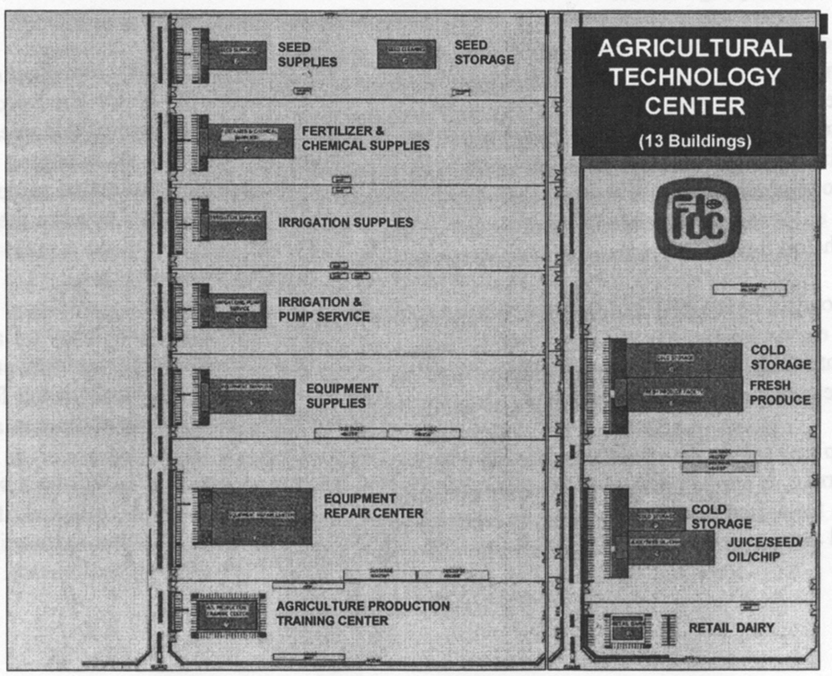
### THE AGRIBUSINESS COMPLEX SOLUTION

The purpose of the Agribusiness Complex is to create an all encompassing, self-sustaining agriculture complex that integrates local farmers. The size may range from 40,000 to 70,000 hectares. This facility serves as a platform that incorporates the introduction of technology, training and markets via the creation of an ultra-modern, for-profit agribusiness. A typical Agribusiness Complex will have livestock, dairy, farming, food processing, support divisions for repairs and small parts, and can provide direct employment to 30,000 within two years. The basis for this design evolved over many years of implementing international food projects.

The Agribusiness Complex serves as the "mother hub" for all initiatives. Food Development Corporation will utilize a large portion of acreage for food production. This will start with basic grains and may move to higher priced commodities like vegetables and spices. The Agribusiness Complex will then work with local farmers in the region to provide training and support. The Agribusiness Complex will offer credit to local farmers by virtue of having the opportunity to collateralize future crop production to obtain the appropriate seeds, fertilizers, and tools to achieve success within the Agribusiness Complex network. Food Development Corporation experts will be on the ground and ready to assist local farmers in their efforts to maximize production.

The Agriculture Technology Center located on the complex serves at a support and storage depot. The graph below is an illustration both the Agribusiness Complex and Agriculture Technology Center. The Technology Center provides equipment maintenance, agronomy research, supply warehousing, and production storage capabilities.




Food Development Corporation will coordinate production with local farmers to ensure the appropriate rotations and timing sequences for planting the different crops. Food Development Corporation will also make sure there are viable markets for the production, including the local farmers. By ensuring the production is of the highest quality at sufficient levels of quantity, the price will warrant the attention of buyers, for both domestic and export markets.

At harvest time, local farmers will have these marketing avenues available to them via the Agribusiness Complex. Additionally, the Technology Service Center will have state of the art processing and storage capabilities that will preserve the life of the produce, thus increasing profit potential. For those local farmers who are not as successful as they had hoped, additional employment opportunities will be available to them on the Agribusiness Complex. The plan includes the employment of locals for jobs related to food processing and ancillary support (transportation, maintenance, etc.)

The experience of Food Development Corporation has been that agriculture development leads to economic growth, but it can only happen with large-scale projects that can be self-supportive and maintain profit incentives. For example, an Agribusiness Complex can solve its need for oil, by producing the elements for biodiesel and alternative fuels, by growing crops for oil and producing electricity, utilizing methane from the cattle operation. These activities will be of greater value to developing nations who must use hard currency to import fuel.

ROLE OF DEVELOPING NATIONS

Food Development Corporation is supportive and appreciative of all developed nations who have an interest in assisting the developing nations in Africa, especially for food production However, from the perspective from someone who has been on the front line of this quest, these well-intended initiatives are not working. Those seriously interested in seeing a vibrant agribusiness industry in Africa must understand that only large, well-coordinated projects that offer profit potential for all parties, especially the local African farmer, will achieve the results that are so desperately needed. A program yielding the proper results will do a great deal to satisfy the civil population, thus decreasing the frequency of unrest and uprisings.

Secondly, developed nations should reverse the trend of exporting dependency on aid and begin to export knowledge, training, and the resources for large, viable, profit-centered projects. If this path is followed, developed nations will see return from their investment in the form of newly created export markets for industrial goods, both agriculture and non-agriculture related.

I applaud the goals of the Millennium Challenge Account. These efforts will be a win for all concerned, if applied properly. I would encourage those involved in the deployment of those resources for agriculture development, to consider projects that offer the potential to truly impact a targeted area in terms of sustainable employment, economic growth, and self-sufficiency.

CONCLUSION

Food Development Corporation has signed a Memorandum of Understanding with the government of Ethiopia to establish a 61,000 acre Agribusiness Complex in the Awash region in Ethiopia. Both Prime Minister Meles and President Girma of Ethiopia are fully supportive of these plans and both fully understand the positive impact this complex will have to "jump start" the Ethiopian economy. Food Development is currently in the process of obtaining the financing for this project. I have found that public sector support in the United States to be enthusiastic, but little promise by way of realistic financial support.

I would strongly encourage developing nations to look at projects such as the Agribusiness Complex model I have designed. Aid programs sponsored by developed nations should see progress towards some graduation level by where these initiatives become self-supportive and lead to economic growth and development.

It has been my goal for a very long time, to see the experiences and knowledge I have accumulated over my lifetime be put to practical use and ease the needless suffering and death caused by hunger in the world today, especially in Sub-Saharan Africa.

Chairman Royce and members of the Sub-committee, I would like to thank you again for allowing me to share these thoughts with you here today.

Mr. ROYCE. Thank you, Mr. Kartchner. I have some questions for each of our panelists, but in the interest of having Congressman Tancredo and Nick Smith and Barbara Lee have time to get their questions in, I will wait until the end. Mr. Payne.

Mr. PAYNE. Thank you for your testimony. If the Secretary-General would elaborate a little bit on the notion you brought up about food assistance and the impact that it has on the commercial farmer in Africa and in your opinion how could that be handled in a more expeditious manner.

Mr. MWENCHA. Do I have the floor?

Mr. PAYNE. Yes.

Mr. MWENCHA. Thank you, Mr. Chairman. Mr. Chairman, one of Africa's tragedies is erratic food supplies that is affected by all other factors mentioned with the technology, but weather being one of the outstanding influences on agriculture in Africa. The weather pattern is such that it may affect one region and not the entire region.

In COMESA, we have had the last 5 years a very interesting scenario where you would find the eastern part of COMESA there is enough rain, but the southern part of that subcontinent is dry and vice versa.

Now what happens if the farmers who have produced what you might call better than average crop in a given year could be assisted to be part of the supply chain of the international community that comes to give assistance to Africa. This would also help the income, but more often than not most of the assistance comes direct, bypassing those farmers. They get stuck with their crop and that affects their institution and they are pressed to go back because they are not able to off load their surplus from year-to-year.

So what we are saying, if there was a way that we could exhaust within the country, within the region the surplus that is there, then we can support with additional supplies that come in from outside. This would go a long way in encouraging production and also supporting farmers who have to suffer because as we said, any food aid would also act like subsidy, because it dampens supplies, creates a shock and therefore reduces that ability to continue with the activity of farming in the long run. I thank you, Mr. Chairman.

Mr. PAYNE. Thank you very much. Since we have some of our other Members that have not had an opportunity to give questions or open statements, I will wait and if there is time at the end then I will ask another question.

Mr. ROYCE. Thank you, Mr. Payne. Mr. Houghton, likewise from New York, the Vice-Chairman of the Committee, said that he would pass. So, we can go to Mr. Tancredo now.

Mr. TANCREDO. Thank you, Mr. Chairman. It is just so perplexing listening to the testimony and being challenged as we all are to try to find a way to deal with this enormous problem and recognizing that just about everything has been tried.

It is not an issue of some magic bullet out there that has just got to be employed and then everything will work out. It seems like we have, over the course of years and in the testimony that has been provided, so much has been done to try to figure out how to affect the changes necessary in the infrastructure and in the economies of the countries involved here in order to accomplish the overall goal of the agricultural interests being able to be self-sustaining.

So it is perplexing because again, you say you only have 5 minutes to describe it. It is also very difficult to figure out in 5 minutes how to construct a question that actually gets to the metal of the issue.

I was just reading and again thinking of Mr. Kartchner's testimony, when he talks about encouraging developing nations to look at projects such as the agribusiness complex model that he has designed. Has that been done? What other countries have looked at that kind of a model? Do you know that that has been done anywhere? Can you point to any success as a result of it? I guess Mr. Kartchner.

Mr. KARTCHNER. We put three in Libya down in the middle of the Sahara Desert. That mainly is a complex that supports all of the efforts being made in the agricultural field, such as your repairs, your spare parts, your heavier and better production, the methods of handling the crop once it is grown.

You know so many parts of Africa that I have toured, a lot of the product is destroyed either by not properly harvesting it or it is not high enough quality to be competitive in the outside world, the production is too low to be competitive. Those are the things that we are trying to work on to train and educate the farmers that we work with to get them into higher production yields, better methods of handling the product, the marketing, the storage, the processing.

We feel that in the country, in order to provide the jobs that they need, it is not to sell the raw product, but it is to sell the finished product of high quality and quantity.

Mr. TANCREDO. I guess I would ask the other members of the panel then: What obstacles do you see that need to be dealt with and something that the government of the United States specifically can deal with to accomplish the goals that Mr. Kartchner has established for us or deal with the problems?

Mr. KARTCHNER. Right now——

Mr. TANCREDO. Let me ask the other members of the panel.

Mr. KARTCHNER. Okay.

Mr. TOWNSEND. I will just comment briefly. As the Chairman noted in his introductory comments, the United States has already passed AGOA, which is providing substantial access for textile and apparel products from Africa into the United States. Europe has similar programs.

Mr. TANCREDO. But unless we address the issues that Mr. Kartchner just reeled off for us, I do not see how that helps. That is my point.

Mr. TOWNSEND. As I understand the point is to encourage value added exports from production of raw material products. In the cotton industry in particular, there is a substantial effort underway to encourage the development of textile and apparel industries throughout Africa.

Mr. TANCREDO. Internally.

Mr. TOWNSEND. The United States is assisting in that in a number of ways, particularly in lowering barriers to imports, eliminating quotas and tariffs on textiles and apparel that come into the United States from Africa and providing an average advantage of about 17 percent on the value added cost when the product arrives in the United States, which is a substantial advantage and it is prompting a substantial amount of increased investment in textiles, particularly in east and southern Africa.

Mr. TANCREDO. So how do we translate that into an agricultural production of food commodities? The same thing?

Mr. TOWNSEND. I do not know.

Mr. TANCREDO. Thank you. Thank you, Mr. Chairman.

Mr. ROYCE. Thank you. We will go to Congresswoman Barbara Lee and then to Congressman Nick Smith.

Ms. LEE. Thank you, Mr. Chairman. Let me thank our panelists and say to you I really appreciate your testimony today, because this is an issue that I have been grappling with for some time.

We are all aware that food security will help create political, social and economic security. Now with the famine in many countries in Africa, I guess one question I would like to find out from Mr. Mwencha, Secretary-General, would you explain to me this issue with regard to the introduction of genetically modified food?

I think one of your quotes, you indicated you said for better or for worse there is a fear now in Africa that United States produced and patented genetically modified seeds would result in perpetual dependence of African farmers on United States seed suppliers. What is your position on that? What is your take? How do we need to respond with regard to this issue of genetically modified food as it relates to the famine and food security?

Mr. MWENCHA. Now that I have an opportunity to speak on that, the other dimension that is mentioned in my paper is the concern that Africa has as regards the debate between the United States and Europe and given the fact that Africa's much export of agricultural products is to Europe, we think this debate will be solved in the interest of farmers in Africa if that would be resolved quickly.

Now, the specific aspect of your question is I think if we solved through a number of interventions: One is to empower or equip the African scientists with the capacity to be able to reproduce the seeds, because as things stand now what we fear and the trips and this kind of arrangement, the African farmers who is used to saving part of the harvest for replanting would be disadvantaged because they might replant that seed and therefore get into a disaster or be told for each year they have to wait for the seed to come from the United States for them to replant.

But if Africa has the capacity, even with all the patent to be able to produce the seed within the continent, then we do not see any mental challenge and therefore, that is a question of information so that there is no risk of farmers saving part of the seed and only to find they are in a big quagmire and secondly having the capacity to reproduce that seem within Africa.

Ms. LEE. Certainly and I appreciate that, but given the immediate disaster that we see, how does this play into that, in terms of just the time frame it takes to reproduce the seeds? I mean with people starving every day, how should we view the introduction of genetically modified food on an immediate basis, not long-term? I am talking short-term now.

Mr. MWENCHA. I think on immediate basis, there are larger issues we could solve. I do not think you could attribute the poor performance purely because of the type of seed. Perhaps the greatest challenge now is subsidies, infrastructure and all that. Let's address those and then we can go to lower levels of technology, which would be quite important, because that would be an additional bonus to the furtherment of agriculture.

Ms. LEE. Okay. Thank you very much for your response. Many of us are assessing this policy and trying to really determine where we fall and where we stand on it, because it is certainly a critical issue that I think we need to address.

You have mentioned with regard to the Millennium Challenge Account in your statement, you were very supportive. I would like to find out with regard to again and based upon your agricultural expertise, what countries in Africa do you see the MCA as being focused on or targeted to as it relates to the development of a solid agribusiness and a solid agricultural sector? Do you see the MCA as being viable in specific countries? I would like to know which ones.

Mr. KARTCHNER. Well, right now we have got a working proposal that we are trying to conclude with Ethiopia. That is where some of the heaviest famine is taking place today. You know 250 people a week at least they are burying there. I have seen it. I was there.

We have proposed to them an agribusiness complex that would produce vegetables, oranges, all kinds of fruits. One of the operations is forage for feeding cattle and the ultimate goal for that feeding operation in Ethiopia is to produce 600,000 pounds of meat a day.

Ms. LEE. Mr. Kartchner, excuse me. Let me clarify something. I am not sure if Ethiopia was included in the Millennium Challenge Account. Could anyone clarify that for me, please? They are not included in that. So I would like to talk to you about or at least give me some response in terms of which countries eligible under the Millennium Challenge Account would be countries that an agribusiness would be most suitable for, in terms of the development.

Mr. KARTCHNER. Well, I think any country that is short of food can use this concept. I do not know which countries, at this moment in time, that are eligible yet. I know there are qualifications. I was only referring to Ethiopia because that is where the famine is and that is where we have been concentrating on just now. Whether they conform to that or not I do not know, but any of the countries that are trying to produce more food needs the support that the agribusiness complex can give them. Unless they have the right seeds, fertilizer and chemicals and the know how, they cannot get their production up to where they can be competitive.

Now, all these different areas where they are producing food, you need to take a look at what is the economic size that is the most likely to produce good results for the person. Depending upon what they grow, the size of the farm they should have.

As you know, in the United States, only a little over 2 percent of the farmers produce 90 percent of the food. The concentration here in the past years has been less farmers and heavier production, which creates more jobs in the handling, transportation and processing of the product. Storage and that sort of thing and marketing.

I think it is a mistake to try to make the very small farmer competitive in this world today. I do not think the world is going to get less competitive. I think it is going to get more competitive and I think there needs to be a total assessment made of how are you going to improve the agricultural field in Africa.

You know it has been patched together and tried for several billions of dollars and we are further behind today than we were when we started, in my opinion. But I think any country can benefit from it, if the government is behind it.

Ms. LEE. Thank you, Mr. Chairman. Thank you very much for your response.

Mr. KARTCHNER. Thank you.

Mr. ROYCE. Thank you. I do not think we know yet on the Millennium Challenge Account whether Ethiopia would qualify or not qualify. We are not quite that far down the road yet. We do want to go to Mr. Nick Smith of Illinois.

Mr. SMITH. It is close. It is Michigan, Mr. Chairman.

Mr. ROYCE. Of Michigan.

Mr. SMITH. Illinois is close.

Mr. ROYCE. I am getting into the midwest anyway.

Mr. SMITH. Mr. Chairman, I think there is a potential silver bullet. I chair the Research Committee in Science. We have held four hearings on biotechnology and as far as I am concerned our best hope to realize productivity increases in Africa is by harnessing this powerful tool of biotechnology.

You know plant biotechnology has the potential of growing crops in the kind of soils where crops can't grow now. It has the potential of substantially not only increasing production and productivity, but also developing the kind of products that can add nutrition to a needy diet.

It is estimated that 435 million Africans are going to face very severe food shortages by 2010. So to not look at this potential, for example Zambia refusing our corn supplies to that country at a time of desperate need, because Europe comes in and says, well maybe you better not use it because somebody might plant that seed and that would disrupt your sales to our country. I think if it is not sinful and unlawful, Europe better know that what they are doing is making Africans starve.

I just met recently with a farmer from south Africa. His name was T.J. Buthelezi and he is a cotton farmer in South Africa whose crop yields doubled and pesticide applications decreased by more than 80 percent. He has increased his cotton production tenfold since he started using the genetically modified seed.

Another example I think of the potential impact of biotech crops, whether it is in Uganda or whether it is in Pakistan is the fact that the black sigatoga fungus that is now affecting bananas has a cure. We have already developed a biotech crop and you can see I am sort of emotionally involved in this, because I think it is so ridiculous not to try out these products and see what we can do with biotechnology.

In my National Science Foundation bill, Mr. Chairman, that was signed into law a few months ago, we put language in that bill, Eddie Bernice Johnson and I, that says that the National Science Foundation will work with scientists in African countries developing the kind of products that can best help that particular country to become more self-sufficient in agricultural production. So we just recently had a hearing to try to move that ahead.

I think, Mr. Chairman and I see some nods from our witnesses, but to not allow this process to go ahead because of some kind of precautionary principle in countries like Europe and Japan and a few other countries that say, well it might be harmful someplace down the road to somebody, somehow, we have good oversight.

So maybe our efforts in Africa and that is part of my question: Should we concentrate more on making sure that the kind of products that might be genetically produced best help those particular African countries have the same kind of safeguards to help assure that it is not going to be damaging to the environment or to animals or to people? Is that part of the bottleneck we are facing in Africa?

Mr. MWENCHA. Mr. Chairman, we are in total agreement with the honorable Member and as we indicated, we feel there are political, scientific and so many other aspects to the biotechnology that could be solved in the interest of humankind.

As I said early on, even when we may solve this problem so long as the political aspects remain, I do not know what would happen with the farmers in Africa that export to Europe and who stand to lose potential market to Europe, if the debate is not solved.

So that is we feel a starting point so that then we can now come to bring the other aspect, which we fully subscribe to.

Mr. SMITH. I agree and Mr. Chairman, I think my time is up. I think we have got to get on the highest soap box that we can and try to explain to some of these Europeans that are using emotion, rather than scientific fact, that their threats of not importing products are killing African children. Thank you, Mr. Chairman.

Mr. ROYCE. Thank you. Any other of the panelists want to respond on that point?

Mr. TOWNSEND. I would just point out briefly, Mr. Chairman and Mr. Smith, in cotton, productivity is not the problem in Africa. African producers are highly productive. In fact, their costs of production on average are ⅓ the cost of production in the United States and ⅕ the cost of production in Europe.

The problem that African producers face is low prices, caused by over production, which is partly linked to subsidies. They also face problems of low prices partly caused by weak demand. So the things that we could do to best help African producers is to work through the WTO to reduce the subsidies that are leading to over production and for cotton industries, including those in Africa to work for stronger demand by emulating some of the demand enhancement work that the United States has been doing. But again, productivity per se and costs of production are not the constraint in the cotton industry of Africa. Thank you.

Mr. SMITH. I agree. Subsidies are a problem, but Mr. Chairman, with your permission may I introduce the testimony from this farmer Buthelezi from South Africa that cut his costs of production in half and he increased his production tenfold by using a genetically modified product?

Mr. ROYCE. Without objection.

I think your point is that these are drought resistant seeds or insect resistant seeds.

Mr. SMITH. Yes. Mostly the weevil.

Mr. ROYCE. Okay. So the insect resistant seeds then resist these environmental——

Mr. SMITH. It cuts down on the pesticides by 80 percent in some of these cases, but it is a combination.

Mr. ROYCE. Right. You use the seed instead of the pesticides.

Mr. SMITH. Yes.

Mr. ROYCE. Yes. Okay. Let me restate a question, which Congressman Tancredo was asking and that basically is: When we look at the best policy climate for agricultural production in Africa, which countries provide that climate?

In my opening statement I explained some of the policies that work adversely to production of food in Africa. You have a governmental industrialization effort in many countries that heavily tax farmers. In other words, you have insecure land tenure that depresses investment. In some you have collectivist policies that dampen individual initiative or you have a situation in some like Zimbabwe with decaying infrastructure or all of the above.

So I thought I would ask the Secretary-General: Which governments are following a policy prescription that is going to lead to increased productivity, going to encourage that and what are some of the governments that are providing the wrong policy prescriptions for the future, in terms of productivity in agriculture?

Mr. MWENCHA. Mr. Chairman, Africa is changing fast and we are moving from command economies of yesterday to more market friendly economies and that is the trend that you also see in other spheres, where they did some area of governors and so forth.

So I would be saying here that Africa is in transition in that respect. New farm innovative policies that are being adopted with the experiences of what we see on the ground. But when you talk about agriculture you cannot restrict it to the setting of a national aspect. There are regional aspects. There are international aspects and there are even farm aspects and that is the complexity that we subscribe to that I was saying.

I indicated early on that agriculture cannot be looked at as purely being a government intervention policy that affects it, but even when we talk about subsidies they would influence government policies to try and intervene to be able to support their farmers, but that is doing the wrong thing.

Yet no government would try to ignore that aspect in the face of international and fairness. So unless under the WTO we sit down and look at all these issues and start to have an architecture that is friendly to agriculture because of the distortions at the global, national and farm level, we will continue to have this dilemma.

So I am evading your question, but then I come back to——

Mr. ROYCE. But you are answering it in a way, because you are saying we are not getting into specifics in terms of government policies there, but you are saying the facts are that you have governments that are themselves giving these incentives for subsidy in the same way that Europe or Japan or the United States is subsidizing and for the same reason.

You are saying the win-win would be to go into the WTO and have everybody reduce those subsidies or eliminate those subsidies. That is going to allow the world to feed more people at less cost.

Mr. MWENCHA. Yes.

Mr. ROYCE. In a way that is sustainable and so forth.

Mr. MWENCHA. That is right. I might then mention something about the Millennium Challenge Account. As I understand it, it is in the signed stage.

Mr. ROYCE. Yes.

Mr. MWENCHA. We believe there are aspects of it that could be regional. The qualification criteria at the moment may put constraints on the government trying to qualify for that account, but then in effect we need to look at it carefully to see whether that will be the right prescription.

We believe that incentive should be private sector should be involved in a way, but not trying to use government indicators, expenditure on education for example, as a criteria when in effect that may not reflect the efforts of the government in funding. That is an aspect we hope that will be taken into account.

Mr. ROYCE. We have a vote so I am going to go to Congresswoman McCollum of Minnesota. I know Mr. Payne had one last question. So Congresswoman, go ahead.

Ms. MCCOLLUM. Mr. Chair, I would yield to Mr. Payne.

Mr. PAYNE. Thank you very much. We have done a lot of yielding today. That is great. Mr. Secretary-General Mwencha, I think one of the African sayings is that when elephants fight, the grass suffers and I guess this is sort of an example of what is happening between the EU and the United States on this question about genetically altered products.

As you wait to find out what will be the final outcome, it puts you in a very precarious position of not knowing in general which way to go. I saw that you did state that the new partnerships for Africa development and NEPAD will treat agriculture as a priority.

If you could just maybe in a minute or 2 just state what will the NEPAD do and how will they start to deal with and prioritize when they talk about the genetically altered. Will they talk about subsidies? Will they talk about WTO? How are they going to proceed?

Mr. MWENCHA. I think you have captured what one might call the demand side of the question, but NEPAD is also going to look at the supply side of the question. How we can start to harness the water resources in Africa for irrigation. Bring in technology. Access to credit. Those are also equally important aspects that will support Africa.

Mr. PAYNE. Thank you, Mr. Chairman.

Mr. ROYCE. I was going to make one last observation and that is the last time that I was in Namibia I had an opportunity to see cotton from Mali and many other West African countries that was being used as a component of apparel that was being shipped into Europe and into the United States.

I was going to ask Mr. Townsend if the African Growth and Opportunity Act, which was written to encourage the use of African grown cotton in apparel, by giving it duty free treatment here in the United States, is that leading to African cotton being used in apparel entering the United States under AGOA? I want to ask you that question.

Mr. TOWNSEND. Yes, it is, Mr. Chairman. AGOA is having a strong positive impact. There is increased investment in textile industries from south Africa on up both East Africa and West Africa. We are seeing expansion in cotton production in certain regions in order to supply the textile industries of those countries. So AGOA is having a positive impact on the cotton industries of Africa.

Mr. ROYCE. Mr. Townsend, thank you. I thank all our witnesses for traveling quite a distance in order to be with us today. We appreciate it very much. We are going to adjourn at this time in order to make that vote. Thank you.

[Whereupon, at 3:24 p.m., the Subcommittee meeting was adjourned.]

# APPENDIX

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## Material Submitted for the Hearing Record

### Prepared Statement of Thembeitshe Joseph (TJ) Buthelezi

My name is Thembeitshe Joseph Buthelezi (TJ), Thembitshe means Trust the Rock. My father said that I must not trust man, but the rock. I am from Northern Kwa-Zulu Natal in South Africa, next to the border of Mozambique and Swaziland—a place called the Makathini Flats. A hot, dry but fertile land where thousands of farmers grow cotton and corn to earn a living.

I am the chairperson of Hlokohloko Farmers Association which has 350 members. Our association is part of a larger farmers union called the Ubongwa farmers Union comprising 5000 members. Ubongwa is an umbrella body consisting of 50 farmers associations and meets once a month to discuss issues and address farmers' problems like market issues, cotton lint prices and seed varieties. When we want to talk to different supply companies or to government officials, or to forward information to our farmers, we do so under the banner of Ubongwa. I am also the chairperson of Ubongwa.

Cotton has been planted in the Makhatini for more than 40 years, and I have been farming it for 20 years. Now about 5 years back while I was preparing for our monthly meeting as usual, I was approached by a seed company's representative asking for an opportunity to introduce a new technology seed to our farmers which he said will improve yield while reducing input costs. Of course I was very much impressed to hear such good news and I put it on our monthly agenda. And when he came he gave his presentation, which was very nice. But farmers did not believe him, because they thought such technology would not work—and it was also more expensive than conventional seed.

However as a leader, I decided to take a risk and try the seed, because there is a quote that goes 'that the greatest risk in life is to risk nothing. And a person who risks nothing does nothing, achieves nothing and has nothing to tell'. And I said to myself if this seed does not work, I would tell the farmers it does not work. And if it works, I will tell them that it works and that they should try it. Therefore I bought one 25kg bag of the new cottonseed called Bollgard Bt cotton.

I planted 10 lines along side of my other cotton field and it did not take me long to realise I had made a mistake by planting only ten lines. The ten lines were much better than the other cotton on the field and I had sprayed very little pesticide. Come harvesting time, I harvested ten lines on Bt and ten on conventional cotton and the yield of Bt cotton was more than double.

The following season I planted 2 hectares of non-Bt and 2 of Bt cotton. That year we had a flood disaster and it rained for three months non-stop. I could not spray my fields because the chemicals would have been washed off by the rain. On the conventional cotton I remember I used to watch bollworms feeding on my plants but could do nothing about it. Sometimes I felt like crushing the bollworms with my own hands! But on the Bt side everything was fine. The cotton was growing nicely with no bollworm damage. It was amazing.

When I went to monthly meetings the farmers cry was that we were not going to harvest anything that season. On the one hand, the non-Bt crop, I agreed with them, but on the other hand I was very happy with the Bt crop. When harvest time came, I made 12,7 on the Bt side and only three bales on non-Bt cotton—and even this cotton was not of good quality. The other farmers asked me how I managed to get 16 bales while the situation was so bad. I told them that Bt cotton made it happen.

When the next season came I increased my cotton hectares from 4 to 8 and planted it all Bt cotton. I was surprised to see how much easier the Bt cotton was to grow and how I had to spend less time on the fields. I remember I used to go to the fields with other farmers and find that I had much less to do and could sometimes go under a tree enjoy the fresh air, while other farmers on each side of me were busy spraying and sweating in the sun. And when it came to harvest time again, I got more bales than they did. This time from 15 to 17 bales per hectare, while they were making only 6 to 8 bales per hectare. That encouraged me again to increase my hectares from 8 to 12. This season, seeing again that I harvest better yields with less inputs, I have decided to go for 25 hectares. I have enough time to do that size of land, maybe even more, and I am busy clearing the bush in preparation for the planting season. This is only possible for me because of Bt.

The benefits I get from Bt are the reduction of sprays from 10 to 2, and increased yield from 8 to 17 bales per hectare. The only sprays I use are the lighter less toxic chemicals—I can even see more frogs and bees in my fields, and no more dead birds. As a result of these benefits, over 90% of the farmers in the Makhathini now grow Bollgard Bt cotton.

Let me say this one thing: We were not pushed to this improved seed, but we were attracted by the benefits. Bt cotton will also have an impact on improving South Africa's cotton production, because the country only meets about 55% of its needs and has to import the rest. The rest of Africa really wants to boost cotton production so that they can export cotton bales and also develop their own textiles especially since AGOA encourages them to export textiles to the United States. African farmers want freedom to grow any crop of their choice and have access to the best available technology. I support a free environment for growing and trading in biotech crops. Countries in Africa should be encouraged to use these improved crops because farmers will improve yields and make more money to improve their lives. That is what all farmers want. It is very unfortunate that some African countries are scared of using Biotech because of the pressure and negativity from Europe.

We in the Republic of South Africa have decided to move strongly forward with Biotech and we encourage other African farmers and countries to do the same.

Thank You

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PREPARED STATEMENT OF WILLIAM A. AMPONSAH, PH.D., INTERNATIONAL TRADE CENTER, NORTH CAROLINA A&T STATE UNIVERSITY

U.S. AGRICULTURAL SUBSIDIES CREATE IMPEDIMENTS TO AFRICAN AGRICULTURAL TRADE [1]

*Background*

The issue of boosting Africa's trade performance, especially by gaining greater market access looms large by any measure, given the region's recent poor patterns of economic development. The African Development Bank reveals that for the year 2000 Africa's share of the global economy was as follows: 12.2 percent of the population, 3.2 percent of the GDP (at purchasing power parity), 2.1 percent of trade (in goods and services) and 0.7 percent of foreign direct investment (in terms of inward flows). Additionally, excluding South Africa, the rest of Africa experienced a decline in its share of world exports from 2 percent in 1995–97 to 1.7 percent in 2000. Africa's share of imports fell from 3 percent to 1.8 percent during the same period. It's pattern of economic growth in the past decade of 2.1 percent (as against its population growth of 2.8 percent) has been precipitously lower than the estimated 7 percent growth necessary for Africa to reduce its level of poverty by half by 2015 to meet the millennium development goal. The United Nations Economic Commission for Africa[2] has documented that although Africa experienced economic growth of 4.3 percent in 2001, it fell short of expectations in 2002, with growth slowing to 3.2 percent in 2002. This modest overall performance in 2002 reflects the weaker global economy, especially low commodity prices that slowed African trade, and the drop of foreign direct investment (FDI) flows to Africa during the year. Therefore, to date compared to other regions of the world, Africa is generally characterized by low economic growth. In particular, Sub-Saharan Africa's average GDP per head is anywhere around $509 ($297 if we exclude South Africa) and it has hardly changed over the past three decades. Although the slow pace of Africa's global integration shielded her from global financial crisis of the late 1990s, it has also meant that to date real prosperity eludes many countries in the region.

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[1] Paper submitted as written testimony for the open hearing on "Boosting Africa's Agricultural Trade" before the Committee on International Relations, Subcommittee on Africa on June 24, 2003.

[2] See www.uneca.org for data.

*Agricultural Trade Liberalization is Important for Africa's Development*

Most African economies are dominated by agriculture that employs nearly two-thirds of the region's labor force and accounts for about one-third of its GDP, and one-half of its exports. Two-thirds of agricultural export earnings are derived from six commodities, namely, cocoa, coffee, cotton, sugar, tobacco, and tea. Sharer (2001) documents that Africa's agricultural exports in 2000 came to about $69 billion, and that if Africa had retained its share of non-oil exports at 1980 levels, exports in 2000 would have been $161 billion, or $92 billion more than their actual level. In contrast, the total cost of the Heavily Indebted Poor Countries Initiative is about $30 billion (to be delivered over more than 20 years). In addition, the most recent replenishment of the World Bank's concession lending arm, the International Development Association, totaled $22 billion for a three-year period.

Furthermore, the Doha Round of World Trade Organization (WTO) negotiations has articulated a development strategy based on reciprocal market access and further trade liberalization by, among other things, (i) reducing tariff rates; (ii) requiring industrial countries to open their markets to goods from poorer countries; and (iii) requiring developing countries to also open their markets and address pro-market competitiveness institutional issues. To be sure, since the 1980s, many African countries have unilaterally embarked on the painful process of rationalizing and liberalizing their trade regimes through structural adjustment programs with the assistance of the World Bank and International Monetary Fund (IMF). Although reforms have been uneven, going into the Uruguay Round of GATT/WTO negotiations, there was clear evidence that protection of import substitutes with tariffs and non-tariff barriers in Sub-Saharan Africa had declined (Nash, 1993). To date, quantitative restrictions have generally been replaced with lower tariff levels.

Yet, whereas Africa seems poised on addressing its regional development issues through the formation of the African Union, the strategic visioning of a New Partnership for Africa's Development (NEPAD) and greater integration into multilateral trade affairs, it continues to face high barriers to trade and investment, escalating tariffs with high tariff peaks (especially for agricultural value-added and labor-intensive products such as cotton and textiles), and growing export subsidies and domestic support of agriculture by industrial countries such as the U.S. that distort global agricultural markets.

Therefore, the ministerial statement issued at the conclusion of the thirty-sixth session of the Conference of African Ministers of Finance, Planning and Economic Development on June 1, 2003, noted with concern that OECD agricultural subsidies have a major and negative impact on the agriculture sector of African countries. It welcomed the President of France, His Excellency Jacques Chirac's proposal to remove subsidies on agricultural products as an important step towards greater market access for African products. Furthermore, the statement noted with concern that while Africa's development partners emphasize the need for diversifying African economies towards high value added processed goods, tariff escalation in the international trade regime makes it difficult for African countries to diversify their economies. This problem is further compounded by sharp declines in commodity prices. In this respect, the statement called on OECD countries to front-load the benefits of trade liberalization for the poorest countries (a majority of whom are in Africa) by providing immediate duty-free and quota-free market access, remove non-tariff barriers, and develop an appropriate price stabilization mechanism. Furthermore, it urged Africa's development partners to support the promotion of strategic exports and the development of infrastructure to improve Africa's competitiveness in global trade. The statement also cited, in particular, the deleterious effects of OECD subsidy policies on depressing the price of cotton on international markets, since cotton accounts for 50 to 80 percent of export receipts for Mali, Burkina Faso and Togo and more than nine million people in West Africa depend on the crop for their livelihood.

*The U.S. is Africa's Partner in Trade and Economic Development*

While contemplating the African Union and NEPAD, African governments and their friends in the U.S. lobbied to develop a trade and investment pact with the U.S., and to transform the U.S. as a lead development partner for Africa. The U.S. ratified the African Growth and Opportunity Act (AGOA) in 2000. The Act aims to transform the economic landscape of Sub-Saharan Africa by stimulating new trading opportunities for African businesses and entrepreneurs, creating new jobs, and bringing hundreds of millions of dollars worth of much-needed investment from the U.S. to the region. Based on data gleaned from the office of the U.S. Trade Representative[3], U.S. imports from the region have since increased by 61.5 percent over the last two years. Substantially all products from Sub-Saharan Africa are now eligible to enter the U.S. duty-free. Indeed, the U.S. imported $8.2 billion of duty-free goods in 2001 under AGOA, including the Act's Generalized System of Preferences (GSP) provisions, and representing almost 40 percent of all U.S. imports from Sub-Saharan Africa. The U.S. is currently Sub-Saharan Africa's largest single market, purchasing 27 percent of the region's exports in 2000.

In addition, U.S. exports to Sub-Saharan Africa reached nearly record levels in 2001, growing to nearly $7 billion, a 17.5 percent increase from 2000. Therefore, the region's export growth out-performed virtually all other sub-regions; although the region accounts for less than 1 percent of U.S. merchandise exports, and less than 2 percent of U.S. merchandise imports. The U.S. exported more to Sub-Saharan African countries in 2001 than to all of the former Soviet Union and Eastern European countries combined. Sub-Saharan Africa supplies 18 percent of U.S. oil imports.

*The 2002 U.S. Farm Bill Does Not Aid African Agricultural Trade*

In May 2002 the U.S. President signed into law a new six-year farm bill, the Farm Security and Rural Investment Act (FSRIA), The new legislation replaced the 1996 Federal Agriculture Improvement and Reform (FAIR) Act or "freedom to farm" law that was supposed to end farm subsidies. Certainly, if Congress had strengthened the FAIR Act, both the level and year-to-year variability of previous farm support outlays would have been reduced. Unfortunately, following the collapse in 1998 of a three-year run of high crop prices, the FAIR Act proved more costly than initially anticipated and Congress stepped in to authorize additional annual "emergency" support payments. This provided momentum, leading to enactment of the 2002 FSRIA a year before the FAIR Act was set to expire. The FSRIA continues or expands programs that provide both producer price guarantees and fixed direct payments for wheat, the feed grains, soybeans and minor oilseeds, rice, cotton, and several other commodities (Orden, 2003). It also authorizes a potentially expensive new counter-cyclical subsidy program for a large proportion, but in principle fixed quantity, of farm output. The new counter-cyclical payments restore a third tier of farm support—replacing the emergency payments with legislated subsidies similar to those of the past.

African countries are very concerned about this reversal of fortunes and have vehemently criticized the recent U.S. farm bill. But African countries are not the only critics of the 2002 U.S. Fam bill. Nobel laureate Joseph Stiglitz derides it as "the worst form of political hypocrisy." Malloch Brown, head of the United Nations Development Program is quoted as accusing U.S. farm policy of "holding down the prosperity of very poor people in Africa and elsewhere for very narrow, selfish interests." The Australian Agriculture Minister, Warren Truss, is also quoted as underscoring Stiglitz's political objection when he argued that "the worst feature of the U.S. farm bill is the way it limits the capacity of the U.S. to take a strong leadership role in trade negotiations."

Furthermore, Orden characterizes the U.S. House Agriculture Committee's strident defense of the policy on its web site as based on a set of myths and facts. "Myth 4" is that "U.S. farm policy is nothing but corporate welfare benefitting only those receiving direct help." The document also asserts as "FACT 4" that "U.S. farm policy is important to national security, ensuring a safe, abundant, and affordable domestic food supply." The House Agricultural Committee document also makes the further claim that "critics of U.S. farm policy would rather cede our food production to unstable places like the Third World," and asks rhetorically "but in these times does any American want to depend on the Third World for a safe and abundant supply of food and fiber?" Obviously, judging by its statements the Agriculture Committee seems to be only guided by a naked xenophobic appeal to public opinion to increase agricultural production in the U.S. without regard to potential injury to poorer nations, such as those in Africa, that must export agricultural commodities to provide the enabling environment for supply-side responses to generate employment and catalyze economic growth.

Indeed, detrimental effects on developing countries of industrial country farm (support) and export subsidies have strengthened the case to pursue further trade liberalization and to reduce agricultural subsidies among rich nations such as the U.S. and the European Union (EU). But despite providing higher farm subsidies, the U.S., to wit, has submitted a Doha negotiations proposal that calls for sharp

[3] This information is based on the 2002 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act, May 2002.

multilateral reductions in border protection and domestic subsidies. Yet, the U.S. position during the current Doha negotiations seems out of step with the enacted domestic legislation. Although, it is consistent with U.S. behavior when it juxtaposed legislation to increase domestic support followed by articulation of a tougher multilateral negotiating position during the Uruguay Round of GATT negotiations.

We need to take note of the fact that global excess supplies and low prices set the stage for the Uruguay Round GATT negotiations on agriculture that was launched in 1986. Similarly, despite adopting a domestic 1985 farm bill that intervened in production and raised support expenditures, the U.S. made a dramatic initial GATT proposal for a "zero option" to eliminate all trade distorting border measures and domestic subsidies within ten years. By maintaining an extreme negotiating position, it allowed the U.S. administration to argue internationally that substantial multilateral commitments to reduction of trade barriers and subsidies were necessary to open market opportunities for efficient agricultural producers and spread the burden of policy adjustment, while assuring its domestic farmers (through the 1985 farm bill) that it would not unilaterally cut subsidies. In the end, the U.S. softened its position and the EU offered modest GATT commitments that shifted the negotiation framework toward limits on (but not elimination of ) trade-distorting domestic support, etc. But is this what Africa wants?

*What Africa Wants*

The difference between the situation in 1986 and the present is that Africa has seen the end result of such a strategic policy game by the U.S. Therefore, Africa wishes to challenge the U.S. Congress and the administration to assume greater moral leadership and demonstrate political sensitivity toward Africa's serious efforts to reverse its downward growth spiral by joining African countries as a true partner in implementing its economic development vision as articulated by NEPAD. One way of doing this is in joining African countries at the WTO in firmly negotiating for substantial improvements in market access; reductions of, with the view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Recognizing the heterogeneity and structural inequalities between developed and developing countries in terms of their share of world trade, access to technology, financing as well as infrastructure and the uneven playing field in international agricultural markets, Africa also calls on the U.S. to provide leadership in ensuring that special and differential treatment for the least developing countries shall be an integral part of the elements of the Doha negotiations and shall be embodied in the schedules of concessions and commitments that will eventually be made binding (and not just a good faith effort) so as to be operationally effective and to enable Africa to effectively take account of her development needs, including food security and rural development. Africa needs unfettered access to U.S. markets for products, such as cotton, which is a major income earner. Additionally, Africa would like U.S. support to abrogate the so-called "Peace Clause" when it expires in 2005, so that the region can seek redress of material injury created by market-distorting policies of rich countries.

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